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German shake-out
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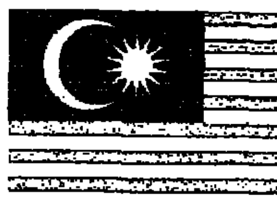

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Software that can cause a revolution
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FINANCIAL TIMES

Europe's Business Newspaper
TUESDAY SEPTEMBER 20 1994
D8523A

Hochtief to raise its stake in rival Philipp Holzmann

Hochtief, Germany's second biggest construction company, said it would increase its stake in rival Philipp Holzmann, fuelling speculation about a possible takeover. The purchase of a further 10 per cent would make Hochtief the biggest shareholder in Holzmann, lifting its stake to 28.7 per cent. Hochtief said the purchase was designed to increase co-operation between the companies on the international market. Page 21; Lex, Page 20

Groupe Bull denies arson allegations: Agents of French state-owned computer manufacturer Groupe Bull sought huge increases in insurance coverage for a warehouse in northern France in the two months before a devastating fire at the facility in 1991, according to testimony in an arson case that began in Chicago. Bull vigorously denied allegations of arson. Page 20

UN threat wins pledge from Moslems: The United Nations said it had won a promise of restraint from Bosnia's Moslem leadership after threatening to use air strikes on government forces in Sarajevo if they continued to fire on the Serbs. Page 3

Nadir associate visits police in London

Elizabeth Forsyth (left), an associate of Asil Nadir, fugitive former head of Polly Peck International, visited the Serious Fraud Office in London to answer questions. She worked for South Audley Management, a company with close ties to Mr Nadir, and went to northern Cyprus before Mr Nadir fled there after breaking his bail conditions in May 1993.

Major upbeat on UK economy: The economic outlook in Britain is the best for nearly 50 years, prime minister John Major claimed in a speech to British businessmen in Saudi Arabia. Page 20

Japan's profits trends improve: Further evidence of a strengthening of Japan's economic recovery emerged with figures showing better corporate profitability and an improvement in monetary conditions. Page 7; **Hurd sounds warning on protectionism, Page 4**

Israel in talks over Golan Heights: An Israeli minister confirmed for the first time that Israel is holding talks with Syria aimed at a peace accord involving an Israeli withdrawal from the Golan Heights. Page 6

S&P improves Lloyd's rating: The overall health of the Lloyd's of London insurance market has improved from average to above-average, US credit-rating agency Standard & Poor's says, but it added that "the absolute level of Lloyd's security is, as yet, unclear". Page 10

November start for tunnel car service: A full Channel tunnel service for cars will be phased in from mid-November, Eurotunnel, the tunnel operating company, said. Page 10

Coffee prices at nine-year high: Coffee prices reached their highest levels in nearly nine years amid mounting concern over the lack of rainfall in Brazil, the world's biggest producer. Commodities, Page 30

US and UK form fraud tax force: The US Federal Bureau of Investigation and London's Scotland Yard have joined forces to create a task force aimed at tackling white-collar crime emanating from British offshore territories. Page 9

Insurance group in Oppenheim deal: Union des Assurances de Paris mounted a DM 1.2bn ($310m) deal to buy out a minority stake of Oppenheim, the private German group, in a holding company to give the French insurance group 100 per cent control of Colonia, its German insurance subsidiary. Page 21

Pechiney trims losses: Pechiney, the French state-owned aluminium and packaging group scheduled for privatisation, narrowed first-half net losses to FFr321m ($61m) from FFr397m in 1993. Page 21

Pro-democracy success in Hong Kong: Pro-democracy candidates took a third of the seats in Hong Kong's first fully democratic elections and the colony's main pro-Beijing political party took 10 per cent. Page 7

Canadian premier attacks separatism: Canadian prime minister Jean Chrétien said he would campaign vigorously for national unity ahead of the independence referendum which Quebec's separatist government has promised. Page 9

STOCK MARKET INDICES

FT-SE 100:	3079.1	(+14.0)
Yield	4.10	
FT-SE Eurotrack 100	1356.96	(-1.95)
FT-SE-A All-Share	1543.64	(+0.3%)
Nikkei	19,554.11	(-242.15)
New York lunchtime:		
Dow Jones Ind Ave	3945.80	(+12.45)
S&P Composite	472.69	(+1.50)

US LUNCHTIME RATES

Federal Funds:	4 11/16%
3-mo Treas Bills: Yld	4.696%
Long Bond	97
Yield	7.752%

LONDON MONEY

3-mo Interbank	5 13/16%	(same)
Liffe long gilt future:	Dec 98 7/16	(Dec 98 1/4)

NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$15.95	(15.84)

Gold

New York Comex (Dec)	$393.6	(393.6)
London	$389.25	(390.6)

STERLING

New York lunchtime:		
$	1.5695	
London:		
$	1.568	(1.584)
DM	2.4347	(2.4356)
FFr	8.3175	(8.3258)
SFr	2.022	(2.0212)
Y	154.864	(156.585)
£ Index	79.6	(79.8)

DOLLAR

New York lunchtime:		
DM	1.54845	
FFr	5.285	
SFr	1.2845	
Y	98.595	
London:		
DM	1.5528	(1.5376)
FFr	5.3045	(5.2562)
SFr	1.2895	(1.276)
Y	98.765	(98.855)
$ Index	62.3	(62.0)

Tokyo close Y 98.64

Austria	Sch32	Greece	Dr450	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw80.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira70	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 30	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

Washington hopes boosted by signs of co-operation from ruling junta

Peaceful US landing in Haiti

By James Harding in Port-au-Prince and Jurek Martin in Washington

The first contingent of US troops arrived without meeting opposition in Haiti yesterday on a mission President Bill Clinton defined as "limited in time and scope".

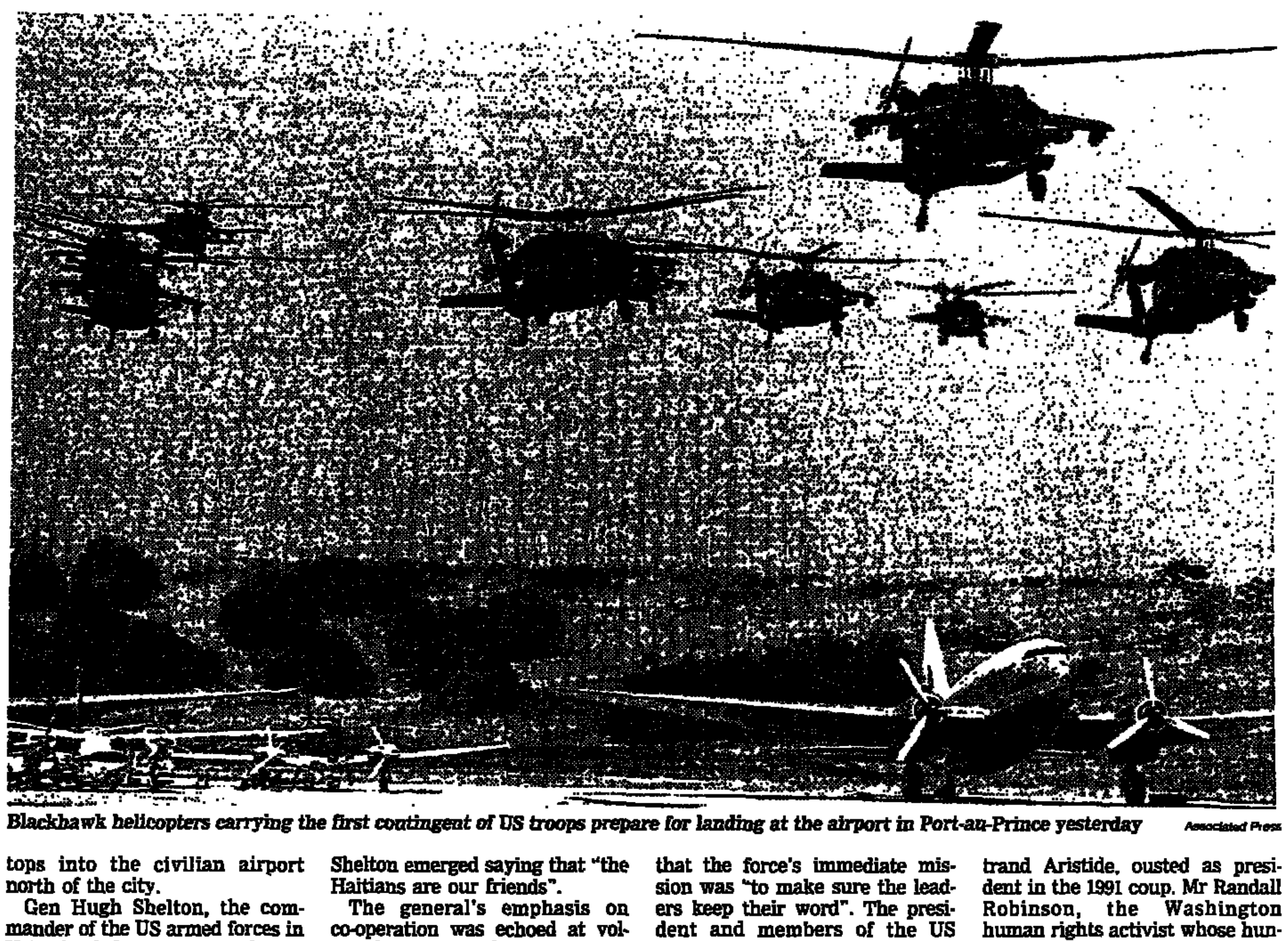
Optimism in Washington was boosted by signs from the Haitian capital Port-au-Prince that Lt Gen Raoul Cédras, the military ruler, was co-operating with US military commanders in ensuring an uncontested US landing.

Retired general Colin Powell, previous head of the US joint chiefs of staff and a key figure in the negotiating mission led by former US president Jimmy Carter, said this was early evidence that the military junta was prepared to live up to the letter of the agreement.

Yesterday's deal between the US delegation and the Haitian military rulers was reached at the last minute on Sunday night local time, as the first US airborne invasion troops were on their way to Haiti from their US bases. It stipulated that the members of the junta would quit no later than October 15 and paved the way for what it is hoped will be a peaceful intervention in Haiti by US forces.

The first US troops from the Tenth Mountain Division began landing by helicopter from the aircraft carrier USS Eisenhower. US officials said 6,000 would be in position by the end of the day and 15,000, the maximum deployment envisaged, by the end of the week.

A succession of helicopters, followed by fixed-wing aircraft, swung low over Port-au-Prince bay and skimmed over the tree tops into the civilian airport north of the city.



Blackhawk helicopters carrying the first contingent of US troops prepare for landing at the airport in Port-au-Prince yesterday Associated Press

Gen Hugh Shelton, the commander of the US armed forces in Haiti, landed to discuss with Gen Cédras the details of co-operation between the occupation force and the Haitian military. The meeting was reported by Mr Carter in Washington as having been "exceedingly successful" and Gen Shelton emerged saying that "the Haitians are our friends".

The general's emphasis on co-operation was echoed at volume by the US helicopters which circled over the hills of the city with loudspeakers blaring in Creole. "This is not an invasion, we are here to work with the Haitian army. This is not an invasion".

Mr Clinton meanwhile stressed that the force's immediate mission was "to make sure the leaders keep their word". The president and members of the US delegation acknowledged that the agreement placed the junta under no obligation to leave the island once they had relinquished power.

This has caused open concern among advisers to Fr Jean-Bertrand Aristide, ousted as president in the 1991 coup. Mr Randall Robinson, the Washington human rights activist whose hunger strike earlier this year clearly influenced US policies, said the agreement was "terribly flawed".

Senator Robert Dole, the Republican leader and a fierce

Reports and analysis, Page 8

Monetary union timetable too tight, say banks

By John Gapper in London and Lionel Barber in Brussels

European banks warned yesterday that European monetary union will be impossible before the next century because they will need at least five years to plan for a single currency after the Emu starting date is announced.

The warning came as European Union finance ministers admitted that all but two EU members were in breach of the Maastricht treaty's rules on excessive budget deficits and government debt, two of the most exacting criteria for achieving Emu.

Members of the European Banking Federation said that they had warned the European Commission that the switch from fixed exchange rates to sole use of the European currency unit would require longer than officials anticipated.

The federation is currently surveying banks in EU member countries to provide evidence to the Commission that Emu will take several years to implement. The results of the survey should be presented by the end of the year.

The Emu timetable calls for "rapid introduction" of the Ecu as the single currency following the start of the third stage of Emu, when exchange rates are locked. This is due to take place between the start of 1997 and the start of 1999.

Mr Alan Kettley, chairman of the federation's committee on Emu, said Commission officials appeared "still wedded to their timetable" but banks were trying to persuade them the technical changes required were too large.

Mr Kettley said banks would prefer a "big bang" approach, under which participating countries switched from their domestic currencies to the Ecu rather than having a dual currency system for a period.

He said that large retail banks would require considerable time to make technical changes such as altering cash machines and computer software. It would be bound to take much longer than switches such as British currency decimalisation.

Leaders of the British Bankers' Association said they would prefer the UK to participate in monetary union because it would help banks. Lord Inchyra, the association's director-general, said it would "just make things easier".

EU ministers yesterday accepted the Commission's view that only Ireland and Luxembourg fulfil the criteria which call for annual deficits to be less than 3 per cent of gross domestic product and accumulated debt to be less than 60 per cent of GDP.

The Commission will offer recommendations for corrective action to the 10 other EU members at a meeting of finance ministers in Luxembourg on October 10.

The removal of Ireland from the excessive debt procedures recognises the country's considerable progress in reducing its stock of debt, from around 116 per cent of GDP in 1987 to 89 per cent of GDP this year.

Mr Bertie Ahern, Irish finance minister, said Dublin was determined to be in a position to join the first group of countries trying to create a single currency before the end of the century.

GrandMet sells US petfood group to Nestlé for $510m

By David Blackwell in London and Ian Rodger in Zurich

Grand Metropolitan, the UK food and drinks group, sold its US petfood business to Nestlé yesterday for $510m and launched a restructuring programme for its world drinks and European food businesses.

The restructuring, which will carry a £280m ($437m) charge, will involve the loss of up to 4,000 jobs, analysts in London estimate. Lord Sheppard, chairman, said the moves would enable the group to concentrate on "our winning brands and businesses. We remain confident about GrandMet's long-term approach and cash generation potential".

Shares in the group closed at 409p, down 3½p, after recovering from an earlier fall to 405p.

Nestlé, the world's largest foods group, said its purchase of Alpo Petfoods could make it market leader in the US canned dogfood market. It is already believed to be among the top three in the US with its Mighty Dog and Come'N Get It brands which compete with products by rival foods giants Mars, H.J. Heinz and Quaker Oats. The deal is subject to approval by US antitrust regulators.

According to a recent study of Nestlé by Goldman Sachs, the US investment bank, the group had a 39 per cent share of the US canned catfood market and 10 per cent in the European Union. In canned dogfood, its share was 14 per cent in the US and 4 per cent in the EU.

Mr George Bull, GrandMet's chief executive, said the group was selling Alpo because it was only the seventh biggest supplier in a highly competitive market. GrandMet's other north American brands occupied top slots in their sectors.

GrandMet will report an exceptional profit of just over £200m on the sale in its 1994-95 accounts. The £280m restructuring charge will be taken as an exceptional operating cost in the results for the year to the end of this month, to be announced on December 1.

About half the money will be spent at International Distillers and Vintners, the group's world-wide drinks business whose brands include J&B Scotch whisky and Smirnoff vodka. The group plans plant closures and rationalisations.

Of the remaining £140m, £55m will go towards similar measures in the European foods division.

Last year the group took a charge of £175m for restructuring Pillsbury, the food manufacturer, and Pearle, the US eyewear chain, in north America. That restructuring involved the loss of 3,000 jobs, some of them part-time. The rationalisation measures enabled the group to lift by £50m its marketing and advertising outlay.

The latest restructuring is expected to yield savings of £90m a year over the next two years.

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GrandMet sets store by its spirits shelf, Page 21

Sweden's Social Democrats may seek coalition

By Hugh Carnegy and Christopher Brown-Humes in Stockholm

Mr Ingvar Carlsson, Sweden's prime minister-elect, last night held open the possibility of forming a broad-based coalition government following his Social Democratic party's general election victory on Sunday.

The speaker of the Swedish parliament, the Riksdag, called on Mr Carlsson to form a government with the "widest possible base".

A spokeswoman for Mr Carlsson said he would discuss forming a coalition with other party leaders, including Mr Bengt Westerberg, the Liberal leader and member of the outgoing right-centre coalition before reporting back to the speaker today.

A Social Democrat-Liberal government would be widely welcomed by the financial markets and Swedish industry as being likely to produce tough action to curb Sweden's big budget deficit and fast-growing public debt.

However, both Mr Carlsson and Mr Westerberg played down the chances of such an alliance because of the Liberals' weak performance on Sunday, when their share of the vote fell to 7.2 per cent from 9.1 per cent in the last election.

Mr Carlsson indicated he could instead form a minority government which would seek co-operation on individual issues with other parties. "My aim is to build an effective government of co-operation," he said.

The Social Democrats emerged clear winners over the four-party coalition led by Mr Carl Bildt's conservative Moderate party but fell 13 seats short of a parliamentary majority.

The former communist Left party and the Environment party made significant gains.

Fears that the Social Democrats might rely on the left prompted a sharp rise in long-term interest rates and a fall in the Swedish krona on the

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Poll result 'the worst possible'

Markets fall amid fears over deficit

By Christopher Brown-Humes in Stockholm

Fears that Sweden's new Social Democratic government would not be strong enough to push through tough spending cuts yesterday alarmed financial markets which marked shares lower and bond yields higher.

The main disappointment was the weak electoral showing by the Liberal party which initially seemed to rule it out as a potential coalition partner for the Social Democrats.

The market believes Liberal influence would strengthen the government's resolve to push through strong measures to tackle Sweden's yawning budget deficit, which last year ran at 13 per cent of gross national product, and fast-rising debt.

"This is the worst possible scenario," said Mr Christian Diebitsch, analyst with Kleinwort Benson in London.

"We have a weak left-wing government which isn't strong enough to implement spending cuts on its own and a Liberal party which isn't strong enough to support them."

He said the market was looking for a budget strengthening package of between SKr100bn and SKr150bn ($13.5bn and $20.2bn), compared with the SKr61bn package outlined by the Social Democrats before the election.

The market's early reaction was clearly negative, as long-term interest rates rose, share prices tumbled and the krona weakened.

A rally later in the day brought a strengthening of the Swedish currency, as it became clear that a Social Democratic-Liberal coalition had not been ruled out by prime minister-designate Ingvar Carlsson.

But it was not enough to wipe out the bond and share losses.

The general stock exchange index closed 0.38 percentage points lower at 1,424.9 while the yield on the benchmark five-year bond closed 14 points higher at 10.86.

Analysts said the market would not relax until the government produced a tough financial package with clear strategic objectives.

Mr James McKay, economist with Kidder Peabody in London, said: "The election has failed to clear the political air, with the bond and currency markets likely to remain nervous until the government's deficit-cutting credentials are established."

Worry about Sweden's shaky public finances means the Swedish ten-year bond yield is already four hundred basis points higher than its German equivalent.

The increase has weakened the Swedish krona and led to a reduction in growth forecasts for 1995.

Mr Carlsson said yesterday his party would not come out with an economic package before it formally assumed power in early October. But he pledged to seek early implementation of a decision to tighten Sweden's budget-making process.

Swedish Elections Results

The 349-seat Riksdag

Parties	Number of seats 1994	1991
THE LEFT		
Social Democrats	162	137
Left party	22	16
Environment party	18	0
Total	202	153
THE CENTRE-RIGHT		
Moderates	80	80
Liberals	26	34
Centre party	27	31
Christian Democrats	14	26
New Democracy	0	25
Total	147	196

New Swedish model halted by old

The shift from welfarism to liberalism inaugurated by Bildt appears to have been stopped in its tracks, reports **Hugh Carnegy**

The fundamental shift from state welfarism to market liberalism that Mr Carl Bildt, the outgoing prime minister, so fervently believed he had wrought in Sweden over the past three years appeared yesterday to have been stopped in its tracks.

Instead, the Social Democrats – "the barons of the old order", as Mr Bildt likes to call them – were back holding the reins of power, as they have for 51 of the past 62 years.

The general election on Sunday produced an unmistakable swing to the left in Sweden, which suggested the electorate had rejected the reforms of the welfare state Mr Bildt's right-centre coalition had pushed through in the face of the country's deepest recession since the 1930s.

The Social Democrats, led by former prime minister Ingvar Carlsson, returned to government, thanks to an eight-point swing in their favour, with 45.6 per cent of the votes.

Behind them, the former communists of the Left party won their best result since 1948. Together, the two traditional allies jumped from 153 seats in the 349-seat Riksdag to 184.

At the same time, the Environment party, which supports Mr Carlsson as prime minister, returned to parliament with 5 per cent of the vote, which gives them 18 seats.

The non-Socialists slumped dramatically. Only Mr Bildt's conservative Moderate party, with 22.3 per cent of the votes, won more than it did in 1991.

The leftward tide goes further: the Social Democratic party today is in some respects more left-leaning than it was during its last spell in government from 1988 to 1991.

A key figure on the right of the party, Mr Kjell-Olof Feldt, who as finance minister presided over important reforms such as big cuts in income taxes and deregulation of financial markets, has left the scene, along with a number of influential advisers.

Today, the parliamentary party, half its members women, is more dominated than ever by public sector workers and professionals who are likely to resist cuts in the welfare state needed to tackle the country's big budget deficit.

But senior Social Democrats insist the picture of a resurgent left is misleading. Mr Jan Karlsson, a member of the party's economic policy team, said the election result was more of a protest vote against Mr Bildt than a positive vote for the left. "The picture is very middle of the road," he said.

Party officials point out that the three top figures steering the party – Mr Carlsson, Mr Göran Persson, the finance spokesman, and Ms Mona Sahlin, the party secretary – are from the right and fully appreciate the need for stringent fiscal policies to tackle the crisis in the public finances.

Mr Carlsson, who will be 60 in November, succeeded the late Mr Olof Palme in 1986, and has held the Social Democrats to a pragmatic path, presiding over such changes in policy as the party's swing to supporting Swedish membership of the European Union.

Mr Persson is set to be the key figure in economic policy. It was he who outlined the Social Democrats' SKr61bn (£5.2bn) election pledge to stop the growth in the public debt by 1998 through a mix of tax increases and spending cuts. He says he will take tougher action if required.

Mr Carlsson has set his face clearly against depending on the Left party – or the Environment party – for support on economic policies. Instead, he indicated yesterday he would seek co-operation with parties of the former government on the economy.

This is based as much on realism as sentiment. With Sweden committed to joining the EU and depending to a large degree on foreign investors to finance its debt, the government has little choice but to meet the loud demands coming from the financial markets for a tough fiscal policy.

The lingering question, however, is the extent to which the Social Democrats are prepared to go to restructure the heavy imbalance between the public and private sectors in Sweden.

Public spending accounts for 70 per cent of the country's gross domestic product, easily the highest in the leading industrial countries.

Reforms undertaken by Mr Bildt, such as privatisation, deregulation of the telecommunications and broadcasting markets and the introduction of competition in schools, childcare and the healthcare systems, are unlikely to be reversed. The Social Democrats accept that the battle against unemployment – at a record 14 per cent – must be fought through private sector job creation.

But the party retains a deep philosophical attachment to the "old order" of universal public welfare that underpins, in Mr Carlsson's words, "a society where there are no great differences between the working class and the upper class.

"We want social security guaranteed for all."

Editorial Comment, Page 19

Swedish prime minister-designate Ingvar Carlsson (left) discusses with Ingeegerd Troedsson, speaker of the Swedish parliament, the formation of a new government, following his party's election victory on Sunday AP

Nordic EU campaigns given a boost

The Swedish Social Democratic party's election victory may prove to be a turning point in the successive referendums for Finland, Sweden and then Norway to join the European Union, writes Hugh Carnegy in Stockholm.

The Social Democrats are believed to hold the key to a Yes vote in Sweden because to date more than half their supporters have been shown by opinion polls to be against membership. Now in government, Mr Ingvar Carlsson, the party's leader, will seek to persuade his voters that EU membership is a way to advance social democratic policies, particularly the fight against unemployment. The electorates in each country are closely following opinion in the other two, reflecting a widespread desire that that the three should stay in step.

Therefore, the election of a Social Democratic government in Stockholm has long been seen as a virtual pre-condition for a Yes vote in Sweden and could help stiffen the Yes side ahead of the vote in Finland and, if Finland and Sweden vote to join, in turn influence Norway's sceptical electorate.

Finland will vote first, on October 16, followed by Sweden on November 13 and Norway on November 28 on whether to accept agreements already negotiated with the EU on terms for membership. A Yes vote would mean the three will join Austria as new members from January 1 next year, expanding the EU from 12 to 16 members.

But the outlook for the three referendums is still far from clear. In Finland, considered the likeliest of the three countries to vote in favour of membership, opinion polls have recently shown strong gains for the No campaign, with the lead held by the Yes camp narrowing to as little as two percentage points.

In Sweden, the signals are mixed. After two years in which the No side has held a steady lead, two recent polls, including one held among voters on election day, have shown a majority in favour.

The election-day poll suggested that 51.8 per cent of voters were in favour of joining the EU and 45.5 per cent against. But another poll published yesterday showed the No campaign widening its lead slightly over the past month to 52 per cent, against 48 per cent in favour.

All the polls in Norway suggest that the Yes campaign has almost no chance of succeeding unless Finland and Sweden vote to join first in their referendums.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621. Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	-174.2	-164.5	0.7623	100.0
1986	231.0	-140.6	-153.7	0.9836	80.2
1987	220.2	-131.8	-144.8	1.1541	70.3
1988	272.5	-100.2	-106.3	1.1833	66.0
1989	330.2	-99.3	-93.3	1.1017	69.4
1990	309.0	-79.3	-72.0	1.2745	65.1
1991	340.5	-53.5	-5.6	1.2391	64.5
1992	345.9	-65.2	-52.4	1.2957	62.9
1993	397.3	-98.7	-88.8	1.1705	65.6
3rd qtr.1993	99.6	-27.5	-24.3	1.1443	65.4
4th qtr.1993	106.9	-25.0	-26.9	1.1388	66.4
1st qtr.1994	106.9	-28.9	-28.7	1.1244	66.8
2nd qtr.1994	107.7	-32.8	-31.9	1.1605	65.3
August 1993	33.9	-8.9	n.a.	1.1251	65.7
September	32.9	-9.0	n.a.	1.1728	64.7
October	34.5	-9.3	n.a.	1.1597	65.5
November	35.5	-8.8	n.a.	1.1282	66.6
December	36.9	-6.9	n.a.	1.1287	67.0
January 1994	35.2	-9.7	n.a.	1.1139	67.5
February	34.1	-10.8	n.a.	1.1184	66.7
March	37.5	-8.4	n.a.	1.1410	66.1
April	36.1	-10.6	n.a.	1.1385	66.0
May	35.4	-11.1	n.a.	1.1622	65.3
June	36.2	-11.2	n.a.	1.1806	64.6
July			n.a.	1.2187	63.0

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	87.0	165.11	124.4
1987	197.3	86.1	75.3	166.58	133.2
1988	219.8	80.7	66.7	151.51	147.3
1989	245.3	70.5	52.6	151.87	141.9
1990	220.0	50.1	28.3	183.94	126.0
1991	247.4	83.1	62.9	166.44	137.0
1992	254.8	101.7	90.0	164.05	142.9
1993	300.0	120.9	111.2	130.31	173.8
3rd qtr.1993	79.1	32.2	28.2	120.89	183.7
4th qtr.1993	75.6	30.3	26.9	123.20	180.2
1st qtr.1994	81.1	32.8	30.1	120.95	182.5
2nd qtr.1994	81.7	31.6	29.5	119.64	187.1
August 1993	26.5	10.3	9.1	116.79	188.2
September	25.9	10.7	9.5	123.63	181.8
October	24.8	9.8	8.9	124.03	180.4
November	25.1	9.9	8.8	121.66	181.8
December	25.7	10.6	9.2	123.92	178.5
January 1994	27.1	11.3	11.2	124.03	177.0
February	26.9	11.3	10.1	118.77	185.2
March	27.2	10.2	8.8	120.04	185.3
April	27.6	11.3	10.9	117.79	188.6
May	26.1	9.6	8.6	120.67	186.2
June	28.0	10.8	10.0	121.06	186.8
July	26.8	11.1	9.9	120.00	191.5

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.7*	*33.2*	*21.7*	*2.2260*	*100.0*
1986	*248.3*	*53.3*	*40.3*	*2.1279*	*108.8*
1987	*254.3*	*56.6*	*39.8*	*2.0710*	*115.3*
1988	*272.5*	*61.5*	*42.9*	*2.0739*	*114.6*
1989	*310.3*	*65.3*	*52.3*	*2.0681*	*113.5*
1990	324.4	51.5	38.9	2.0537	119.1
1991	327.4	11.2	-15.7	2.0480	117.7
1992	330.6	16.8	-17.0	2.0187	121.2
1993	323.0	30.8	-17.2	1.9337	124.6
3rd qtr.1993	81.0	5.7	-9.0	1.9180	123.9
4th qtr.1993	82.7	9.5	-5.3	1.9161	124.8
1st qtr.1994	79.8	8.5	-4.6	1.9370	122.4
2nd qtr.1994			-2.8	1.9276	123.5
August 1993	27.5	1.5	-3.5	1.9081	123.6
September	27.5	1.9	-1.6	1.8998	126.1
October	27.7	3.5	-2.7	1.8995	126.2
November	27.8	2.7	-0.9	1.9182	124.5
December	27.2	3.3	-1.6	1.9306	123.7
January 1994	25.9	3.3	-1.3	1.9415	122.2
February	27.2	3.0	-2.5	1.9397	121.8
March	26.7	2.2	-0.7	1.9299	123.2
April	29.2	5.1	-0.5	1.9335	122.6
May	30.6	2.8	-2.3	1.9285	123.5
June			0.0	1.9228	124.3
July				1.9117	125.7

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	-3.7	-0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.6
1987	128.3	-4.6	-3.7	6.9265	103.0
1988	141.9	-3.9	-3.4	7.0354	100.6
1989	162.9	-6.3	-3.6	7.0169	98.8
1990	170.1	-7.2	-7.2	6.9202	104.8
1991	175.4	-4.2	-4.9	6.9643	102.7
1992	182.5	4.6	2.9	6.8420	106.0
1993	179.1	13.6	8.9	6.6261	108.3
3rd qtr.1993	45.1	3.8	3.5	6.6508	106.4
4th qtr.1993	46.0	4.5	3.5	6.6431	107.3
1st qtr.1994	46.2	2.4	2.3	6.5881	108.0
2nd qtr.1994	48.3	3.3	0.5	6.5967	108.0
August 1993	14.6	0.74	1.27	6.6761	105.3
September	15.4	1.52	1.00	6.6465	107.0
October	15.0	1.32	1.17	6.6631	106.9
November	15.0	1.15	0.02	6.6637	106.8
December	15.9	2.03	2.38	6.6025	108.2
January 1994	15.2	0.29	2.44	6.5856	107.9
February	15.1	0.78	-0.64	6.5906	107.6
March	15.8	1.36	0.51	6.5782	108.3
April	15.8	1.19	0.42	6.6240	107.1
May	16.5	1.16	0.17	6.5972	107.9
June	16.0	0.95	-0.06	6.5688	108.9
July				6.5508	109.7

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	-16.0	-6.4	1443.0	100.0
1986	99.4	-2.5	-1.4	1461.6	101.4
1987	100.7	-7.5	-2.1	1494.3	101.2
1988	108.3	-8.9	-8.0	1536.8	97.8
1989	127.8	-11.3	-17.0	1509.2	98.6
1990	133.6	-9.3	-18.0	1523.2	100.6
1991	137.0	-10.5	-17.7	1531.3	98.9
1992	137.9	-8.0	-20.6	1591.5	95.7
1993	144.3	17.9	9.6	1836.7	79.6
3rd qtr.1993	34.6	6.2	3.3	1813.0	79.8
4th qtr.1993	38.9	6.7	5.6	1879.8	77.0
1st qtr.1994	37.5	3.4	1.1	1892.8	76.2
2nd qtr.1994				1881.2	77.8
August 1993	7.5	0.6	0.0	1804.2	79.7
September	12.7	1.2	0.7	1838.0	78.9
October	13.2	2.4	2.2	1854.9	78.2
November	12.8	1.6	1.7	1880.7	77.0
December	12.9	2.7	1.7	1903.8	76.1
January 1994	10.2	0.1	-1.0	1892.5	76.2
February	12.8	1.6	1.3	1883.9	76.4
March	14.5	1.7	0.9	1901.9	75.9
April			-1.0	1850.1	78.0
May			-0.3	1852.9	78.2
June				1880.5	77.1
July				1904.5	76.3

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	-5.7	3.6	0.5890	100.0
1986	106.3	-14.2	-1.3	0.6708	91.6
1987	112.3	-16.4	-7.1	0.7047	90.1
1988	120.9	-32.3	-25.0	0.6643	95.5
1989	137.0	-36.7	-33.5	0.6728	92.6
1990	142.3	-26.3	-26.6	0.7150	91.3
1991	147.7	-14.7	-11.7	0.7002	91.7
1992	145.9	-18.2	-13.4	0.7359	88.4
1993	156.1	-17.0	-13.3	0.7780	80.2
3rd qtr.1993	40.2	-4.1	-2.5	0.7605	81.0
4th qtr.1993	40.6	-4.4	-2.8	0.7635	81.1
1st qtr.1994	42.5	-3.8	-1.3	0.7554	81.9
2nd qtr.1994	43.3	-3.1		0.7716	80.0
August 1993	13.8	-0.5	n.a.	0.7545	81.0
September	13.3	-1.8	n.a.	0.7665	80.8
October	13.6	-1.1	n.a.	0.7712	80.4
November	13.3	-1.6	n.a.	0.7620	81.0
December	13.6	-1.7	n.a.	0.7573	81.7
January 1994	14.4	-1.2	n.a.	0.7456	82.4
February	14.1	-1.1	n.a.	0.7557	81.0
March	14.0	-1.5	n.a.	0.7649	80.5
April	14.5	-0.8	n.a.	0.7673	80.0
May	14.2	-1.4	n.a.	0.7733	79.9
June	14.7	-0.9	n.a.	0.7741	80.1
July			n.a.	0.7681	79.2

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

EUROPEAN NEWS DIGEST

Germans raise economic hopes

The German economy is growing without inflationary problems, according to separate reports published yesterday by the Bundesbank and the German Economics Ministry. The reports agree that the 2.8 per cent growth in gross domestic product in the second quarter, compared with a year earlier, was unexpectedly strong. They added that favourable orders, industrial production and housing construction point to a continuing upward trend.

Citing favourable implications of Germany's moderate wage increases, the Bundesbank foresees an export-led recovery, but calls for continued vigilance on wages to keep inflation down, currently 3 per cent in western Germany and 3.4 per cent in the east. An August survey of 400 companies by the Ifo economic research institute was also upbeat. Companies surveyed expected a 2.75 per cent increase in production this year and 3.5 per cent in 1995, as well as strong growth in the investment goods sector.

Although these assessments will help Chancellor Helmut Kohl's campaign for the October 16 elections, neither of the official reports had good news on the jobs front. Unemployment rose sharply after the west German economy fell into recession last year and despite recent growth and moderate wage claims, jobless totals have so far failed to drop. *Reuter, Bonn*

Ukrainian currency loses value

Ukraine's non-convertible and volatile currency, the karbovanets, lost 16 per cent of its value on the open market over the weekend. The fall has been blamed on parliament's release of credits to the agriculture sector last month. Farm credits will push inflation up from 2.6 per cent in August to above 18 per cent this month, said Mr Viktor Youshchenko, central bank governor. Ukraine is set to initial an IMF letter of intent within two days and a final agreement should be finalised at next month's IMF summit, if certain reform conditions are met, western diplomats and aid officials said yesterday. The IMF policy prescriptions will increase inflation in the short run but the $700m loan will ease pressure by backing up national bank reserves and help cover Ukraine's widening balance of payments and budget deficits. An agreement also would open the doors to $4bn in western aid – including $400m from the World Bank for critical goods such as pharmaceuticals. *Matthew Kaminski, Kiev*

Hungary presses state sell-off

Hungary is to privatise 25 per cent of each of its five regional gas distribution companies this autumn, the state holding company AV Rt said yesterday. It said it would hold an international tender for the companies – which serve domestic gas users outside Budapest – in October or November with a view to selling the 25 per cent stakes this year. Registered share capital of the five companies is Ft44.5bn (£264m). Mr Peter Mihalyi, deputy privatisation commissioner, said gas privatisation would be followed up with the sale of a stake in the country's electricity company next year. He added that the government planned to present a new privatisation law to parliament next month to merge the SPA and the State Holding Company, Hungary's two privatisation bodies, into a single body. Another aim of the law would be to make sale procedures more transparent to counter popular suspicion of corruption and influence-trafficking in privatisation. *Virginia Marsh, Budapest*

Strike threatened at Skoda

Unions at Skoda Automobilová, the Czech car maker which is part of the Volkswagen group, have theatened strike action after the company said yesterday it intended to lay off 800 workers by the end of the year in an effort to increase competitiveness. Skoda said the redundancies were necessary to help it "slim a little" and become more competitive on the world car market. But the Czech-Moravian council of trade unions said it would support the unions at Skoda if workers at the company's main Mladá Boleslav plant north of Prague voted for strike action. Mr Jiří Hrabovský, a Skoda spokesman, said unions and management would meet tomorrow to try to resolve the dispute, which threatens to delay the introduction of Skoda's new compact car, the Felicia, due to begin production next month. *Vincent Boland, Prague*

Warning on Russian inflation

Russian inflation will "inevitably" rise sharply in the last months of this year, according to Mr Andrei Illarionov, former economic adviser to the prime minister and head of the Institute for Economic Analysis. Mr Illarionov said it would rise from under 4 per cent in August to 7-8 per cent in September and move higher in the last three months of the year, reflecting steep growth of credits in summer. He said the government had so far this year issued credits totalling Rbs25,000bn (£6.8bn). He said inflation had been kept low because the velocity of money had fallen – but this could be temporary. However, figures produced by the Centre for Economic Performance, headed by Prof Richard Layard of the London School of Economics show real consumption rose 10 per cent during the year to July while the real income of households rose 18 per cent. He said the recorded fall of 24 per cent of industrial production from a year ago was "difficult to reconcile with consumption data". *John Lloyd, Moscow*

'Enfant terrible' of fashion dies

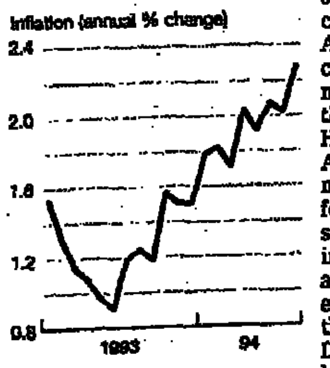
Franco Moschino, one of Italy's leading fashion designers, died on Sunday, aged 44, after a long illness, his fashion house said yesterday. He had surgery for an abdominal tumour two years ago and had battled against illness since then. News of the designer's death was withheld until yesterday to allow his funeral to take place in strict privacy. Moschino studied at the Brera Academy of Fine Arts in Milan. He began his career as a freelance illustrator for designer Gianni Versace's fashion house in 1974. He launched his first collection in 1983. He was an "enfant terrible" of Italian fashion, poking fun at the fashion world and becoming renowned for outrageous ensembles. He once designed a ball gown of garbage bags. *Reuter and AP, Milan*

ECONOMIC WATCH

Danish consumer prices rise

Denmark

Inflation (annual % change)



Source: Datastream

Danish consumer prices increased by 0.4 per cent from July to August and by 2.2 per cent over the 12 months to August, according to the Official Statistical Office. The 12-month rate of increase was the highest since early 1992. Half the increase from July to August was caused by a normalisation of clothing and footwear prices following sales in July. A 10 per cent increase in the price of coffee and other food prices explained most of the rest of the increase. In July 1993 the Danish inflation rate was the lowest since the 1950s at 1.2 per cent. This year, under the impact of a fast growing economy and a boom in consumer demand, the rate of inflation has begun to move up. *Hilary Barnes, Copenhagen*

■ Austrian consumer prices rose in August by 0.6 per cent and by 3.2 per cent year on year.

■ Spain's industrial production index rose 8.4 per cent in June 1994 from June 1993.

■ The Dutch producer price index for manufactured goods rose a provisional 0.1 per cent in July from June, giving a 0.2 per cent rise year on year.

Portugal trims rates as inflation eases

By Peter Wise in Lisbon

Portugal's central bank yesterday cut two important money market rates by half a point in a reversal of the European trend towards higher interest rates. The measure, triggered by falling inflation, will support government efforts to stimulate economic recovery.

The Bank of Portugal lowered the emergency lending rate for overnight funds from 12 to 11.5 per cent and the liquidity absorption rate from 9.25 to 8.75 per cent. The variable repurchase rate for seven-day funds was cut by 0.25 points to 9.25 per cent.

Lowering these rates will reduce the cost of funds to banks and should filter through the economy as lower lending rates for corporate financing and investment, as well as reductions in personal mortgage and borrowing rates. The repurchase rate is the average rate at which banks trade on the money market.

The emergency rate is the cost of funds for banks whose reserves are short at the close of trading. The absorption rate is the rate at which banks can place excess funds with the central bank.

Falling inflation, a lower fiscal deficit and a stable currency have enabled the central bank to cut money market rates gradually since they were reintroduced in early July.

They had been suspended two months earlier to help fight speculation on the escudo.

The central bank's decision to cut the compulsory cash reserve requirement for banks from 17 per cent of deposits to 2 per cent from November 1 should lead to further rate cuts. Existing reserves will initially be absorbed by special bonds.

Mr David McWilliams, senior European economist with Union Bank of Switzerland, said Portugal was bucking the trend in the rest of southern Europe by lowering rates and securing a non-inflationary economic climate. "It is an indication that the Portuguese financial system is becoming increasingly market-oriented," he said. Year-on-year inflation fell from 6.3 per cent in January to 4.8 per cent in August.

The fiscal deficit is forecast to fall to about 6.1 per cent of gross domestic product from 6.9 per cent in 1993.

From a low of Es104.5 to the D-Mark during the currency crisis of May, the escudo has appreciated to a current level of about Es101.7.

Lower interest rates will help foster recovery from last year's recession, when GDP shrank 1.3 per cent.

The government is forecasting growth of about 1 per cent this year and 2.5 per cent in 1993.

Analysts said the Bank of Portugal had been under "moral pressure" from the government to lower interest rates but yesterday's move appeared to reflect supply and demand on the money market. They expect the central bank to halt rate cuts at the first sign of renewed pressure on the escudo.

General warns he might call down Nato air strikes on government forces

UN threat wins pledge from Bosnian Moslems

By Paul Adams in Belgrade and Bruce Clark in London

The United Nations said yesterday it had won a promise of restraint from Bosnia's Moslem leadership after making an unprecedented threat to call down air strikes on government forces in Sarajevo if they continued to fire on the Serbs.

The promise was made by Bosnia's President Alija Izetbegovic, and his military commander, General Rasim Delic, at a meeting with General Sir Michael Rose, the British commander of UN forces in Bosnia.

Earlier, Gen Rose said he held government forces responsible for provoking an upsurge in fighting on Sunday, when the Bosnian capital saw its most serious shelling for the past seven months.

The general told a Reuter correspondent in Sarajevo that he had warned the government forces they would face Nato air power unless they desisted from their attacks immediately.

While Nato made limited air raids on Bosnian Serb positions in April and August, this was the first time it has been suggested that the air power of the alliance could be used against Bosnian government forces.

Gen Rose, who has used an adept mixture of brinkmanship and bluster to face down all parties in the conflict, would be straining his personal authority to the limit if he invoked air strikes against the government, which enjoys widespread sympathy among politicians in the west and the Middle East.

However, officials at Nato headquarters – who in the past have deplored the UN's caution in using air power against the Serbs – said there was no reason in principle while the air power of the alliance should be directed at one side only.

The surge in fighting takes places against a background of increasing friction between the five countries – the US, Russia, Britain, France and Germany – which are supposed to be co-operating to establish a peace settlement in Bosnia.

Tension between the US on one hand and the all European powers on the other has been mounting ahead of October 15, when the US administration will start the process of lifting the ban on supplying arms to the Bosnian government.

European governments have said this move will probably force the withdrawal of UN forces from Bosnia, and Nato experts have drafted two alternative plans for a pullout, depending on how much fighting is going on at the time.

In Belgrade yesterday, the leader of a team of international inspectors monitoring Yugoslavia's blockade of the Bosnian Serbs said the embargo appeared to be genuine. "It is our opinion, from what we've seen so far, that measures taken seem to be serious and rather effective," retired Swedish general Bo Pellnas said.

His report will increase the prospects of the UN sanctions against Yugoslavia being eased later this week.

NEWS: WORLD TRADE

'Union has exhausted capacity to expand regional trade in a significant way for a long time'

Report finds EU trade policy wanting

By Martin Wolf

The trade policies of the European Union demonstrate blindness, according to Patrick Messerlin, professor of economics at the Institut d'Etudes Politiques de Paris, in a report published today by the Centre for Policy Studies, a London-based think-tank*.

"Until recently," argues Prof Messerlin, "the US had no serious alternative to a policy based on the Gatt disciplines. The strong protectionist mood south of the River Grande... prevented any regional alternative... In sharp contrast the *EU member states could always count* on freer trade among themselves to provide additional growth opportunities.

"The situation will be reversed in years to come. The US... will enjoy the relaxation that regional opportunities can offer. By contrast, the EU has exhausted its capacity to expand regional trade in a significant way for a long time to come. The EU – bordered on its southern and eastern flanks by countries unconvinced of the gains from freer trade, or too small to bring substantial benefits to the EU – will be in the same position as the US in the 1950s and 1960s."

An indication of the EU's failure to *recognise this necessity is its addic*tion to contingent protection, notably anti-dumping. Prof Messerlin notes that dumping is found in 95 per cent of the cases investigated by the Commission – "a conviction rate rarely matched in other judicial procedures". He also points out that almost 80 per cent of cases have been terminated by measures and that these have erected high barriers, the average EU duty being 20 per cent.

Recent cases have been no better: of the 21 cases for which decisions have been published in 1994, measures were taken in 19 and almost all imposed anti-dumping duties ranging from 35-97 per cent. The Uruguay *Round outcome, though deserving of* "two cheers" according to Mr Brian Hindley of the London School of Economics, "comes very close to authorising the biased procedures" used to calculate dumping margins.

"If dumping and injury can be shown whenever it suits a government to do so," states Mr Hindley, "that government can also increase protection for a domestic industry whenever it suits it to do so." In addition, anti-dumping actions can be discharged by "undertakings", which are similar to the voluntary export restraints supposedly eliminated in the Round. So "what becomes of the Gatt pledge to 'eliminate discrimina*tory treatment in international com*merce'?"

Prof Messerlin, too, gives a mixed evaluation of the effects of the Round on anti-dumping actions by the EU. He notes that, hitherto, approval of definitive measures in anti-dumping and subsidy cases has required a qualified majority. "Under the new rules, however, decisions of the Council... are taken by a simple majority. Hence the votes of six member states are now needed to overturn a definitive measure suggested by the Commission."

**Trade Policy Review 1994, edited by Brian Hindley and Deepak Lal, Centre for Policy Studies, 52 Rochester Row, London SW1P 1JU. Tel: 071-828-1176. £6.95.*

Lumber producers at loggerheads over Nafta

By Bernard Simon in Toronto

US timber producers have threatened to undermine one of the most innovative parts of the North American Free Trade Agreement (Nafta) by challenging the legality of the pact's dispute settlement mechanism.

The lumber industry has brought an action in the Court of Appeals for the District of Columbia seeking to reverse a string of setbacks in its long campaign against tree-cutting fees levied by Canadian provinces. The US producers allege that these "stumpage" fees are so low that they constitute an unfair subsidy on Canadian softwood lumber exports.

Several panels set up under the 1989 US-Canada free trade agreement, on which Nafta's dispute-settlement provisions are based, have dismissed the US complaints. The lumber producers appeared to have exhausted all avenues last month when a three-judge "extraordinary challenge committee" split along national lines in Canada's favour.

Canadian exporters have now called on Washington to refund about US$600m in interim countervailing duties which they have paid pending the outcome of the dispute.

The dispute settlement mechanism has been widely regarded as one of Nafta's most successful innovations. Binational panels have so far reviewed about 62 cases relating to findings by US and Canadian administrative tribunals on subsidies, anti-dumping duties and countervailing duties.

The panels' decisions are usually binding. However, the Coalition for Fair Lumber Imports, representing US forestry companies, maintains that the panel system violates the US constitution by diminishing the authority of the judiciary in favour of other branches of government.

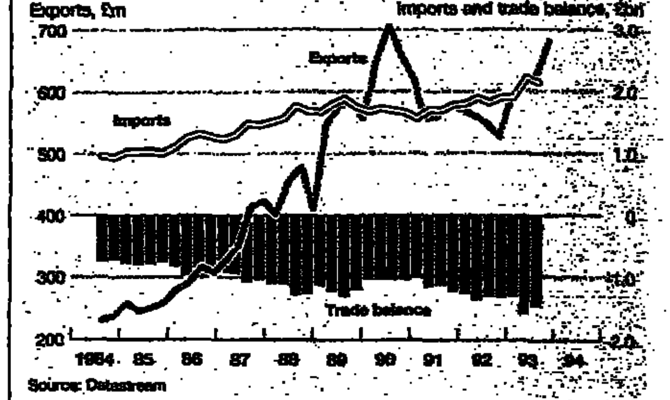
The coalition also contends that the panels are unconstitutional because while they administer US law, the Canadian members have not been elected or appointed by the US. It alleges that some Canadian panellists who have heard the lumber cases failed to disclose conflicts of interest.

Mr John Ragosta, a lawyer for the coalition, said the constitutionality of the dispute-settlement provisions were not challenged earlier as "we didn't have standing until we lost. You have to show you're an aggrieved party."

However, Canadian lumber exporters have accused the Americans of being bad losers. The Canadian Forest Industries Council said: "The coalition filed this lawsuit only because it lost the countervailing duty case on its merits and, rather than admit defeat, it decided to take on the entire free trade process."

UK trade with Japan

UK foreign secretary Douglas Hurd (left) said in Tokyo yesterday that "now is not the time to sit back on trade liberalisation" after meeting Japanese prime minister Tomiichi Murayama (right)



Source: Datastream

Hurd sounds warning on protectionism

By William Dawkins in Tokyo

Japan yesterday heard a robust attack on protectionism from Mr Douglas Hurd, UK foreign secretary, on the final day of a four-country Asian tour. The danger of blatant protectionism had receded thanks to the recent Gatt agreement, but the worry now came from subtle pressures to curb the advance of free trade, he warned.

"Now is not the time to sit back on trade liberalisation," Mr Hurd said, after a meeting with Mr Tomiichi Murayama, the prime minister, and other senior cabinet members. New ground needed to be broken, in multilateral liberalisation of *telecommunications, shipping,* financial services, aerospace and steel.

Gatt members should ensure that the new World Trade Organisation enforced multilateral rules, rather than sought to manage trade. Mr Hurd was critical of pressures to use the WTO to tackle the impact of free trade on environmental and social problems. Labour market rigidities were the main cause of unemployment and free trade the only solution to it, he argued.

On UK-Japan trade, he welcomed recent Japanese government attempts to cut economic regulation and open the market to foreign competition but said more progress was needed. Mr Hurd hoped that Tokyo would broaden its military procurement beyond the US, which accounts for almost *all* the foreign portion of Japan's Y1,000bn ($10.1bn) annual defence equipment budget.

In official contacts, Mr Hurd made the case for British participation in four large non-defence contracts, including a personal phone system to be *introduced by NTT next year.* On long-standing trade disputes with Japan, Mr Hurd said he was disappointed by remaining restrictions on foreign lawyers and high taxes on Scotch whisky, which had kept market share at a small fraction of lightly taxed shochu, a local spirit made of sweet potatoes.

He also called for greater foreign access to pension fund management and insurance.

NEWS IN BRIEF

Ericsson secures Malaysia orders

Ericsson, the Swedish telecommunications conglomerate, has won orders worth more than $550m in Malaysia, one of the world's fastest growing telecommunications markets, writes Kieran Cooke in Kuala Lumpur. The group announced two contracts over the weekend: the biggest, worth M$1.3bn (US$507m), is for the design, supply and installation of a public switched wireless network to be delivered to Syarikat Telefon Wireless, a privately owned Malaysian company; the second contract, worth M$112m, involves the supply of digital telephone equipment to Celcom Cellular Communications, Malaysia's biggest cellular operator with more than 350,000 subscribers nationwide.

Nr Vijay Kumar, Syarikat's executive director, said the first phase of the Ericsson system would be installed on the resort island of Langkawi, off the west coast of the Malaysian peninsula. Celcom Cellular said it wanted to start offering subscribers a digital service through its existing network by next year. Malaysia is one of the company's top 10 markets and over the past five years Ericsson has been the main supplier for Celcom's existing analogue network.

Ship identification plan delay

A British government proposal to fit automatic identification devices, or transponders, on the world's merchant shipping fleet has been put back for a year after international maritime experts called for further studies, writes Charles Batchelor, Transport Correspondent.

The Department of Transport put its plans to the United Nations' International Maritime Organisation (IMO) earlier this month; the department wants them to be mandatory from 1999. The transponders would allow coastguard and port authorities to identify vessels and would mean that ships causing pollution or involved in an accident could be immediately traced. The IMO's safety of navigation sub-committee called for further studies of the legal and technical implications of the plans and will look again at the proposal in a year.

"We will have to see how this initiative fits in with other conventions such as the UN Law of the Sea which guarantees vessels unrestricted free passage," an IMO spokesman said.

■ Saudi Arabia's Tabuk Cement has awarded a contract worth $257m for a cement and associated power and desalination plant to Mitsubishi Heavy Industries and Ube Industries of Japan, Reuter reports from Dubai. The 1.1m tonne-a-year plant is to be built in the coastal town of Duba in north-western Saudi Arabia.

■ Kuwait's central tenders committee yesterday invited bids from nine international companies for construction of three electricity sub-stations, Reuter reports from Kuwait. Industry sources estimated the contract value would be about KD10m ($33.4m).

■ Sunrise Technologies of the US has received approval from the Japanese Ministry of Health and Welfare to sell its SunLase Master dental laser in Japan, AP-DJ reports from Fremont, California. Japanese government procurement of medical equipment has been criticised by the US in continuing trade talks.

■ AC Delco Systems, a unit of General Motors, has formed a joint venture with a group of Saudi industrialists and businessmen to build a battery manufacturing plant in Saudi Arabia, AP-DJ reports from Flint, Michigan. GM said it would have a 49 per cent equity in the battery plant, which will be built in Dammam, Saudi Arabia. GM expects to start production in late 1996.

■ Kvaerner Fjellstrand of Singapore, part of the Kvaerner group, has secured a $5m contract for a high-speed FlyingCat catamaran for Hong Kong Ferry (Holdings), Extel reports from Singapore. The vessel will be the third fast craft of this type delivered by the Singapore company to the shipping group.

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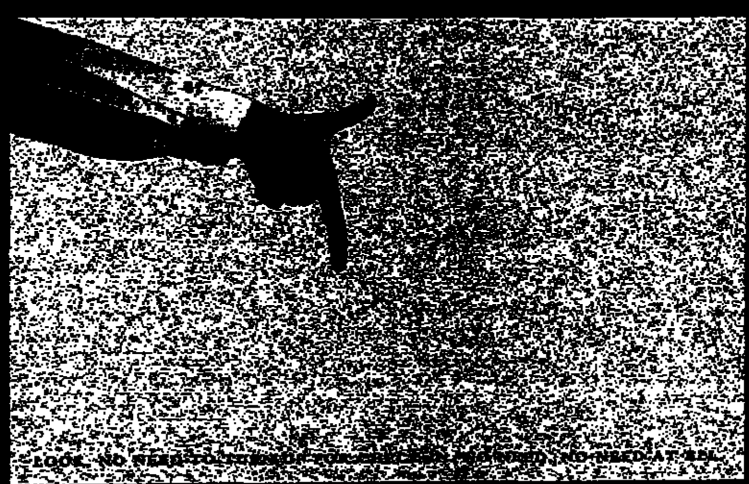

Well, you for a start. If you're packing only hand-luggage, you can now check-in by phone.

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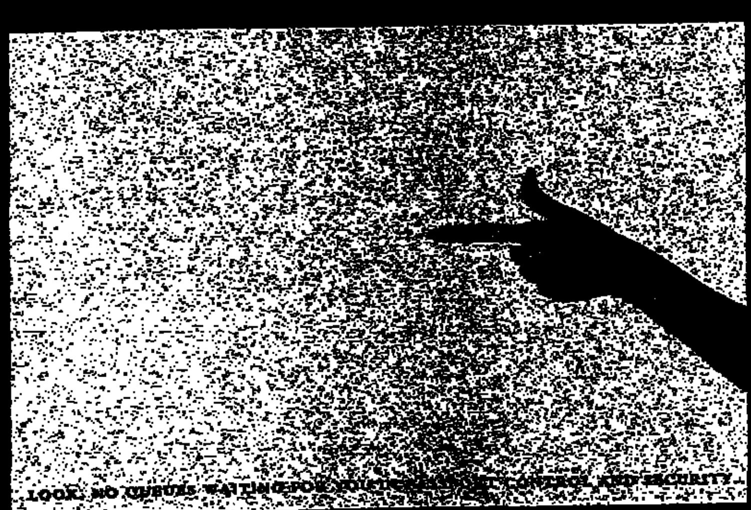
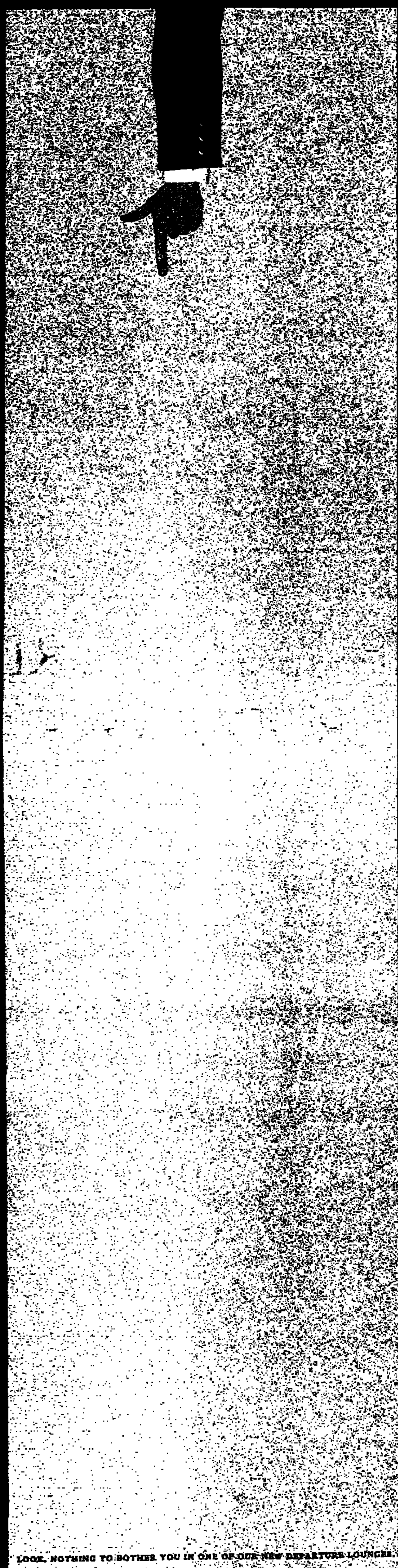


(To jump the queue here, you'd have to stand in front of yourself.)



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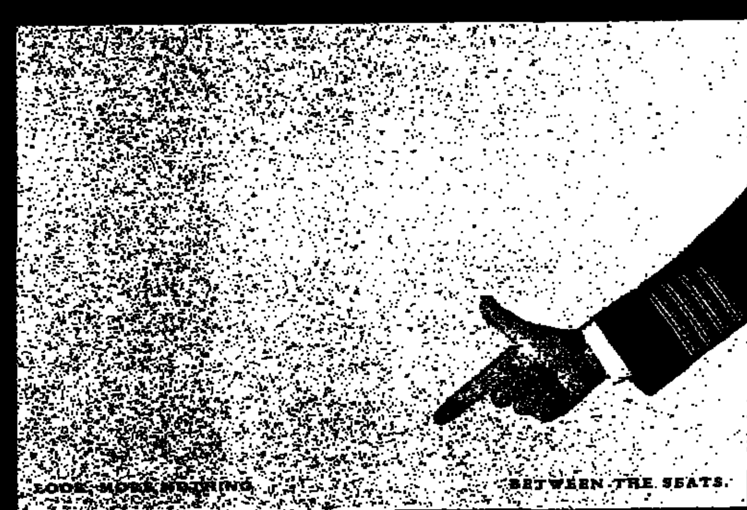

Frankly, yes.

OK. On the plane, you'll notice something about your seat: there's nothing about your seat.

Our new wider seats leave more space between you and

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NEWS: INTERNATIONAL

Israel holding secret talks over Golan

By David Horovitz in Jerusalem

An Israeli minister yesterday confirmed for the first time that Israel is holding secret negotiations with Syria, with the aim of reaching a peace accord involving an Israeli withdrawal from the Golan Heights.

Mr Binyamin Ben-Eliezer, who holds the housing and construction portfolio and is a close aide to Prime Minister Yitzhak Rabin, compared the contacts with Syria with last year's secretive negotiations with the Palestine Liberation Organisation in Oslo that led to the signing of the Israel-PLO autonomy accords in Washington last September.

"Minister Binyamin Ben-Eliezer confirms there were secret contacts with Syria, not at the ministerial level, but at the same echelons that led, in his words, to the dizzying success in other peace agreements," the radio reported.

Over the last few weeks, the Israeli media has carried a stream of reports of secret contacts, quoting anonymous government officials saying negotiations are being personally overseen by Mr Rabin, assisted by the army's chief of staff Gen Ehud Barak and intelligence chief Uri Saguy, with Israel's ambassador to Washington, Mr Itamar Rabinovitch, and his Syrian counterpart Mr Walid al-Muallam serving as intermediaries.

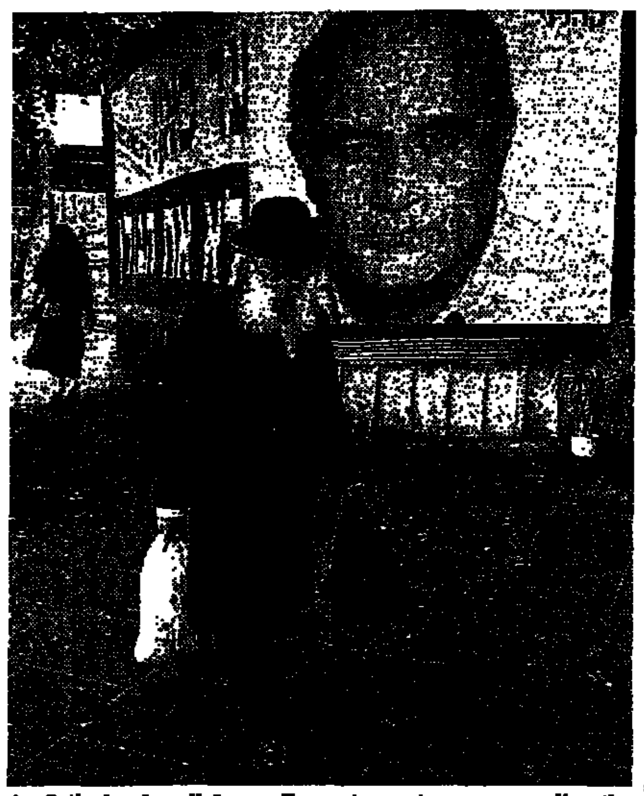
Israeli opposition leaders have charged that a deal is already close to completion, and that Mr Rabin has agreed in principle to withdraw from the entire Golan Heights strategic ridge in exchange for fully normalised relations with Damascus.

Publicly, Mr Rabin has offered to sanction a "significant" withdrawal from the Golan, after a three-year test period of normalised relations with Syria, but has neither confirmed nor denied that he is ready to approve a complete pullout.

Members of Mr Rabin's Labour party yesterday held an ill-tempered debate on the issue of the Golan, at which the prime minister and Mr Shimon Peres, foreign minister, angrily criticised a small minority of Knesset members who are vowing to fight a Golan pullback.

While confirming that contacts with the Syrians were taking place, Mr Ben-Eliezer told Israel Radio yesterday that they were not at the ministerial level.

● The Israeli army has set up a unit to remove obdurate Jewish settlers from the West Bank, Gaza Strip and Golan Heights, according to the Ma'ariv newspaper yesterday.



An Orthodox Israeli Jew walks past a poster recommending the policies of Avigdor Kahalani, a Laour party MP who opposes withdrawal from the Golan Heights AP

FIS boycotts Algeria's crisis talks – but not the talking

Francis Ghilès on the outlawed fundamentalists' continued contacts

Talks aimed at finding a solution to Algeria's political crisis will open in Algiers today but one of the country's key political forces, the Islamic Salvation Front, will not be there.

The FIS, which was outlawed two and a half years ago after the suspension of elections it looked certain to win, decided to boycott the talks in spite of the decision last week by Gen Liamine Zeroual, the head of state, to transfer the party's two paramount leaders, Mr Abassi Madani and Ali Benhadj, from prison to house arrest.

Nonetheless, contacts and discussions between the fundamentalist leaders and senior generals have never been so numerous. Most take place behind closed doors, indeed behind prison gates, in and outside of Algeria.

FIS leaders are insisting on a number of conditions before their party joins the talks, which will be attended by five smaller political parties. However, Mr Rabah Kebir, the spokesman for the exiled leadership, based in Germany, has suggested Mr Madani might be prepared to call a ceasefire before all conditions are met.

FIS leaders wish first to convene a meeting of the party's ruling council, the Majlis Es Shura, and consult leaders of the Islamic Liberation Army (AIL) which owes allegiance to the party.

"We do not wish to create difficulties for President Zeroual," Mr Kebir said at the weekend, "but each party to the negotiation must be able to hold meetings in order to represent their side." It is "not easy" to conduct proper consultations," he added, when the telephone used by Mr Madani and Mr Benhadj is "controlled".

The fundamentalists say that a key precondition to such a meeting is the lifting of the ban on the FIS. The state of emergency would have to be lifted and a general amnesty proclaimed. The army would also have to be consigned to barracks. To ensure such conditions are met, a "neutral" government should be formed to oversee the period of transition necessary before new elections are held.

This is a tall order for the army's senior commanders and is unlikely to be met in full. The past two weeks have, however, already profoundly modified Algeria's political landscape. The two heavyweight players in the drama which, since January 1992, has claimed at least 11,000 lives, have publicly recognised the status of the other as a valid interlocutor.

Dialogue, if and when it accelerates, is unlikely to spell the end of violence. The FIS will not have been surprised by the total opposition to talks expressed by the hardline Islamic Armed Group (GIA), many of whose leaders were trained in US-run camps in Peshawar, Pakistan, and went on to fight Russian troops in Afghanistan.

Mr Cherif Gousmi, the GIA leader, is opposed to any "truce or dialogue with a renegade government, to the very idea of democracy and all those who argue in its favour". The AIL has been losing fighters to the GIA but some diplomats are convinced that some GIA activists are linked to the state security forces.

Opposition to talks has also come from Mr Redha Malek, the former prime minister, who said the release of the FIS leaders was a "huge unilateral concession which put the republic in danger of death".

Mr Malek, who brokered an agreement with the International Monetary Fund, was sacked soon after Gen Zeroual took office last winter. Mr Malek's views are shared by groups within the country which have defended women's rights and, what is more important, by a number of senior officers.

Some are bitterly opposed to the ideology of the FIS, others fear the loss of the many privileges a state-controlled economy has afforded them since independence in 1962. Others, in the middle ranks of the army and the security forces, fear retribution.

Many have been forced to participate in human rights abuses that they are deeply ashamed of, and feel betrayed by their elders. All parties to the conflict have resorted to methods which in Algeria remind many of the violent fight for independence from France between 1954 and 1962.

Jump of 8.75 per cent will boost public support for reforms

Indian industrial output rises

By Stefan Wagstyl in New Delhi

Indian industry, which saw production stagnate after the launch of the country's economic reforms in 1991, is recovering sharply this year, according to government estimates published yesterday.

The data will boost public support for the reforms among businessmen who earlier complained at the extent of the slow-down in demand caused by widespread economic restructuring. Executives will also take heart from recent inflation figures which show a slowing in the rate of price increases.

Industrial output rose 8.7 per cent in May, compared with the same month last year, the largest monthly increase since before Mr P V Narasimha Rao, the prime minister, launched the reforms. The jump in May followed a 7 per cent increase in April.

The recovery is being led by a sharp rebound in the production of capital goods, which suffered particularly badly in the early post-reform period because the government, an important buyer of industrial equipment, cut orders in an effort to trim public spending.

This year, private companies, intending to modernise and expand their factories, are fuelling demand for capital goods. Capital goods output in May was 19.6 per cent higher than in May 1993.

While the data is provisional and subject to adjustment, government officials and business executives alike believe that the recovery is broadly-based and expect it to continue for some time.

The Reserve Bank of India, the central bank, earlier this month forecast that industrial output for the year to the end of March 1995 would rise 7 per cent over 1993-94. Some industrialists foresee an increase of up to 10 per cent.

Meanwhile, government figures published at the weekend show the rate of increase in wholesale prices, the most widely followed indicator of inflation, fell in the week ending September 3 to 8.3 per cent, compared with the same week in 1993 - the lowest rate recorded this year.

Inflation has slowed from a peak of more than 11 per cent in the spring, when prices were affected by sharp increases in the cost of government-controlled goods and services such as fuel and transport.

Fahd promises to turn to UK for 'all Saudi Arabia's needs'

By Kevin Brown, Political Correspondent, in Jeddah

The UK will remain a key supplier of defence equipment to Saudi Arabia for the foreseeable future, King Fahd told Mr John Major, the British prime minister, yesterday.

In several hours of talks in Jeddah, the king and Mr Major also agreed an outline deal for Britain to provide technical and financial advice on Saudi Arabia's fledgling privatisation programme.

British officials and businessmen who joined the week-long trip to the Gulf and South Africa, were buoyed by the warm reception given to Mr Major, and by King Fahd's promise that Saudi Arabia "will come to the UK for all our needs".

Mr Major is believed to have discussed a number of potential defence contracts with the king, including a possible order for Westland's Merlin anti-submarine warfare helicopter.

Saudi Arabia is believed to be deeply concerned about its vulnerability to a potential threat from Iraq, which has acquired a number of conventional submarines in the second-hand market in spite of an international arms embargo.

The king is also said to have responded sympathetically to British suggestions that the kingdom should buy Avro International jets for the Royal Flight, and Rolls-Royce engines for the state-owned airline.

It is believed a bid by the Davy construction group to build a steel plant at Hadeed was also discussed.

The Saudi government is expected to confirm shortly that it has accepted a British offer to provide technical assistance in developing the kingdom's plans to involve private capital in large parts of the state-owned sector.

Candidates for privatisation or partial involvement by the private sector include the electricity industry, the state-owned telecommunications company, petrochemicals, aviation and the road system.

Saudi Arabia has run a budget deficit for 12 years as a result of declining real prices for oil exports and rising spending.

The kingdom is also believed to have spent most of its reserves on financing the Gulf war.

Iran's non-oil exports show growth of 23%

Iran has exported \$1.6bn (£1.01bn) worth of non-oil goods since the start of the Iranian year in March, Iran's official news agency said yesterday, Reuter reports from Nicosia.

"Iran's non-oil exports have risen by 23 per cent compared with the corresponding period last year," the agency said. It did not give a value for exports in 1993 or a breakdown of different kinds of exported goods.

Mr Ali Saeedlou, head of the Export Promotion Centre of Iran, predicted that non-oil exports by Iran, a leading oil producer and member of the Organisation of Petroleum Exporting Countries, would reach a total value of \$24bn in the 1994-98 period.

NEWS: INTERNATIONAL

Japan's profit trends boost recovery hopes

By Gerard Baker in Tokyo

Further evidence of a gradual strengthening of Japan's economic recovery emerged yesterday with figures showing better corporate profitability and a slight improvement in monetary conditions.

A Ministry of Finance survey revealed that aggregate pre-tax profits at Japanese companies fell by just 0.2 per cent in the three months to the end of June compared with the same period last year.

Earnings fell for four straight years from 1990 but the survey confirmed recent anecdotal evidence from companies that profits have hit bottom. Manufacturers reported sales higher by 0.3 per cent, and profits up by 7.6 per cent, the first increase for 13 quarters. Non-manufacturers' sales were up by 0.9 per cent, but profits fell by 3.9 per cent.

The senior bureaucrat at the Finance Ministry, Mr Jiro Saito, said the survey was in line with recent official reports that suggested the economy was recovering from the long recession. "The upturn in manufacturers' earnings is an especially bright factor," said Mr Saito.

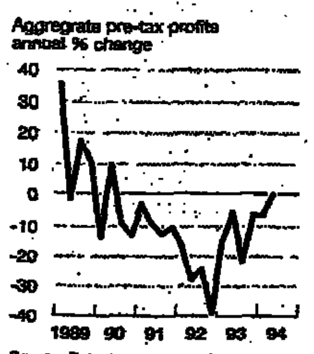
However, the report also pointed to continuing declines in corporate investment. Capital spending during the quarter shrank by 16.8 per cent, with both manufacturers and non-manufacturers reporting substantial drops.

The Bank of Japan announced yesterday that the basic measure of money supply grew in August for the third month in succession. M2 plus certificates of deposits expanded by 2.0 per cent in August compared with a year ago. But officials cautioned against over-optimism; the figure is still consistent with weak growth in overall liquidity.

Changing patterns of consumer demand were reflected in figures published by a retailers' group. The Japan Department Stores' Association reported that sales at stores in the Tokyo area declined by 5.3 per cent in August from a year earlier, the 30th consecutive monthly drop. During the recession, more price-conscious consumers turned increasingly towards discounters, away from their traditional penchant for department stores. That trend appears to be continuing despite a recovery in personal disposable income in the last year.

Japan

Aggregate pre-tax profits
annual % change



Source: Datastream

Japanese make prompt pledge on Haiti

By William Dawkins in Tokyo

Japan, the world's largest aid donor, yesterday said it was ready in principle to offer "appropriate co-ordination" to help democracy emerge in Haiti.

The assistance Japan has in mind was unspecified. But the speed at which the offer came, from Mr Yohei Kono, the foreign minister, contrasts starkly with Tokyo's once slow response to fast moving events on the international stage.

Only last weekend, it dispatched, with a minimum of hand-wringing, 470 soldiers to help Rwandan refugees in Zaire and neighbouring countries.

The Rwandan mission won praise yesterday from a visiting Mr Douglas Hurd, British foreign secretary, who welcomed Japan's approach for permanent membership of the United Nations Security Council.

Mr Kono greeted the last-minute peace accord between the US team and Haiti's military regime as important progress towards restoring legitimate government and a democratic system there.

The form of Japanese aid will depend on what the United Nations asks it to do, added Mr Kunihiko Saito, the vice foreign minister, and Japan's most senior diplomat.

Mahathir snubs ecology lobby over dam

By Kieran Cooke in Kuala Lumpur

Prime Minister Mahathir Mohamad of Malaysia has told western environmentalists and activists to "mind their own business" and not interfere in Malaysia's development programmes.

Dr Mahathir was speaking at a ground breaking ceremony for the Bakun dam project in a remote jungle area of the state of Sarawak on the island of Borneo. The Bakun project, described by its developers as the world's biggest private power scheme, involves construction of a dam nearly twice the size of the Aswan dam in Egypt and the flooding of an area larger than Singapore.

Plans are to transmit the bulk of Bakun's 2,400MW power output to peninsular Malaysia, first by 670km of overhead cables within Sarawak and then through 650km of cables under the South China Sea. An area of more than 80,000 hectares, much of it tropical rain forest, will be cleared to accommodate the dam and more than 8,000 tribes people will be resettled.

Opponents of the project say that the dam will be "an ecological time bomb sitting right in the centre of Borneo". Earlier this year Dr Mahathir's government signed a memorandum of understanding giving management of the M$15bn (£3.7bn) Bakun project to the Sarawak-based Ekran company.

Ekran says 70 per cent of the financing for Bakun will be raised from domestic resources and insists the project can be completed in six years, without federal or state funds. Critics point out that Ekran has had no previous experience in the power business.

Dr Mahathir said his government had done extensive research into the Bakun project: "Bakun will be a catalyst for industrial growth in the country and in Sarawak itself."

Flux emerges in Malaysian politics

Kieran Cooke reports on an intense debate in the ruling party

Locals call it the good news show. Each evening television feeds Malaysians a series of generally upbeat items about the state of their country. The considerable achievements of the Malaysian economy are the main focus of attention. The activities of Dr Mahathir Mohamad, the prime minister, feature prominently.

But lately the news has been a little more subdued. While the economic outlook, in the short term at least, appears good, Malaysians have been puzzled to hear about the government's tough actions against a Moslem group. They have been intrigued that talk about a sex scandal involving a senior government figure has been allowed to surface in the official media.

There have been a series of fires at Kuala Lumpur's international airport and two "near misses" between aircraft. Even the weather forecast looks worrying. Some of the worst pollution in years has clouded the skies of much of the Malay peninsula in recent weeks and has led to government health warnings.

Dr Mahathir and other senior figures in government have made clear signals that a general election will be called soon, possibly at the end of the year. There seems very little chance that Dr Mahathir, in power since 1981, will lose his tight grip on power. But a degree of flux is evident in Malaysia's body politic.

In June the government launched its campaign against Al Arqam, a Moslem sect that claims 100,000 followers in Malaysia and many more in the region. In early August Malaysia's Islamic authorities banned Al Arqam's teachings, describing them as deviationist. Since then the government has declared the sect illegal, launched police raids on the group's communes and carried out a number of mass arrests of followers.

Many, particularly in the majority Malay Moslem community, question the government's heavy-handed tactics. Mr Ashaari Muhammad, Al Arqam's leader, had his passport revoked by the Malaysian authorities while in Thailand. Mr Ashaari, along with at least seven followers – including his wife and six-month old daughter – are being held under Malaysia's Internal Security Act (ISA), which allows for up to two years' detention without trial.

The Malaysian Bar Council has protested that the ISA, which usually involves harsh isolation treatment and round the clock interrogations, is being used for purposes for which it was never intended and says Mr Ashaari has been denied the right to legal representation.

Critics say there are political motives behind the move against Al Arqam. They say Dr Mahathir had become worried about the growing popularity of Al Arqam within his own United Malays National Party (Umno), the dominant group in the ruling national front. Al Arqam says it is being used as a scapegoat to take attention away from scandals and corruption within Dr Mahathir's government.

The government says it acted against Al Arqam because the sect had strayed from proper Islamic teachings and could pose a threat to public order. Dr Mahathir has made a number of allegations against Al Arqam, including that through the practice of polygamy, the sect treated women as "little better than prostitutes".

At the same time and to the deep embarrassment of the government, the case of Mr Abdul Rahim Tamby Chik hit the headlines. Mr Rahim is chief minister of the state of Malacca and head of Umno's youth wing. Mr Rahim is under police investigation after allegations that he sexually abused a 15-year-old girl. He has also been accused of accumulating a vast fortune through dubious property deals.

Mr Rahim is a leading member of a new generation of Umno personalities who came to prominence within the party along with Mr Anwar Ibrahim, the deputy prime minister and Dr Mahathir's heir apparent, in elections late last year.

Dr Mahathir has been forced to suspend Mr Rahim from his official posts. Mr Rahim was allowed to go abroad on holiday. The girl he is said to have abused has been kept under police custody.

What intrigues Umno watchers is that the allegations against Mr Rahim have been allowed a public airing in the heavily government-influenced media. There are suspicions that senior figures in the party might be out to rock Dr Mahathir's political powerboat.

Dr Mahathir faces few problems from Malaysia's weak and divided opposition parties. But within Umno there is intense debate about the future direction of the party. Many of the Umno rank and file say the party has lost touch with its rural roots and is now dominated by urban-based politicians with close links to the country's corporate élite.

Some sections of Umno have voiced concern about corruption within the party and a nationwide cult of vote-buying called "money politics". Dr Mahathir has pledged to put a stop to abuses within his own party.

Economic success has brought a large degree of political complacency to Malaysia. But politics has been give a shot in the arm by recent events. The evening news could be more interesting in future.

Pro-democracy and pro-Beijing candidates do well in Hong Kong poll

By Simon Holberton in Hong Kong

Strong support for pro-democracy candidates and a good showing for Hong Kong's main pro-Beijing political party were the highlights of the colony's first fully democratic elections.

Hong Kong went to the polls on Sunday to elect 346 local government officials in what was the first of three colony-wide polls to be held over the coming year. After failing to agree terms with Britain, during talks last year, Beijing has said it will annul the result of these elections when it resumes sovereignty in 1997.

By the close of counting yesterday afternoon candidates representing pro-democracy groups had taken nearly a third of the seats. The Beijing-funded Democratic Alliance for the Betterment of Hong Kong (DAB) won just over 10 per cent of the seats.

The loser on the day was the pro-business Liberal party, which managed to win only 19 of the 99 seats it contested. More than 150 of the successful candidates ran as independents, underlying the essentially local nature of the elections.

Hong Kong's Chinese language press welcomed the poll. Almost all of the colony's leading newspapers commented favourably on the elections, with many saying they boded well for municipal council elections next spring and Legislative Council polls next autumn.

In all, 693,223 people voted – 64 per cent up on the vote in 1991, when 424,032 people voted. Sunday's turnout, however, represented only 33.1 per cent of Hong Kong's registered voters and was not much ahead of the 1991 poll, when 32.5 per cent of voters cast a ballot.

The high voter turnout was attributed by some to the growing civic consciousness among voters. Many commented on the maturity and responsibility of voters and said they hoped China would take note of the result when it came to establishing a fresh political order after 1997.

The pro-Beijing Ta Kung Pao said the large turnout did not imply public support for Mr Patten's reforms. Instead it concentrated on the turnout rate. Wen Wei Po, its stablemate, had encouraged its readers to participate in Sunday's poll by voting for candidates who "loved Hong Kong and the motherland".

With 15,000 troops in Haiti the US has the means to enforce the compact, says **Jurek Martin**

Stubborn Carter saves Clinton's bacon

It would take a great stretch of the political imagination even to suggest that former President Jimmy Carter and his team of US negotiators in Haiti have saved the current presidency. But they certainly seem to have helped to give Mr Bill Clinton as optimal an outcome as he could reasonably have expected well into an agonising Sunday afternoon.

Mr Clinton could certainly claim yesterday his order to begin the invasion was the last straw that broke the back of the resistance of Lt Gen Raoul Cédras and General Phillippe Biamby to agree to step down from power.

But it was Mr Carter's stubborn insistence to continue talking in Port-au-Prince long after he was due to leave and even after the White House advised him to get out that made possible the denouement.

Equally, it was Mr Carter's determination to obtain a Haitian political imprimatur from acting president Emil Jonaissant, a man whose legitimacy the US government has not even recognised, that was in the final hour vital to the accord. It was Mr Jonaissant's emotional declaration "we must have peace not war" that helped persuade the military men not to disobey their civilian leaders, according to Mr Carter.

In effect what the US team, which also included retired General Colin Powell, previous head of the joint chiefs of staff, and Senator Sam Nunn, chairman of the armed services committee, brought about was Governor's Island Revisited - a close replica of the July, 1993 agreement under which the military junta agreed to relinquish power.

The difference - and it is huge - is that the presence in Haiti of an occupying force of 15,000 US troops means that the US has the means to enforce Sunday's compact.

The agreement itself leaves some hostages to fortune. It does not require Lt Gen Cédras or Gen Biamby to leave Haiti, as demanded by President Clinton. Its promise of amnesty may leave members of the local military and commercial elite free to make mischief on President Jean-Bertrand Aristide's return.

A Haitian soldier (right) watches as US troops deploy at Port-au-Prince airport shortly after their arrival AP

Even Mr Carter conceded the agreement was not binding on junior officers or "attachés," the freelance thugs with close ties to the military who have replaced the dreaded Tonton Macoutes of the Duvalier regimes.

The agreement contained no reference to Fr Aristide, though perhaps it did not need to. Initial reaction from his advisers - and on the streets in Miami - was not favourable, mostly because of the prospect of the junta getting off scot-free and, possibly, remaining in Haiti.

In a fascinating CNN interview yesterday morning, Mr Carter offered many insights into his extraordinary two days in Port-au-Prince, demonstrating yet again the strength of his independent streak and the remarkable rapport he seems able to establish with the most improbable negotiating partners (among them over the last year the late Kim Il-Sung, the North Korean dictator, and Muhammed Farah Aideed, Somali warlord).

The US, the UN and countries beyond number have condemned the military junta for their appalling violations of human rights in Haiti. But Mr Carter countered that "it's a serious violation of inherent human rights for a citizen to be forced into exile." General Powell reported, more practically, that at no stage had Gen Cédras asked about the terms, financial and otherwise, of exile.

Mr Carter was even dismissive of US government officials, including Mr Warren Christopher, now secretary of state and the departmental number two in his own administration, who have said there was no alternative but exile. The Governor's Island agreement, he pointed out, was also signed by Fr Aristide and would not have forced the junta physically to leave the island.

The US official attitude, Mr Carter said, failed to understand the mindset of the junta as military men and self-perceived patriots. The former president paid particular tribute to the arguments deployed by General Powell in this respect. He also said that the wife of Gen Cédras ("one of the strongest and most powerful women I've ever met") had played an influential role after he had spoken to her at length on Sunday morning.

Throughout the interview, Mr Carter displayed considerable understanding of the complexities of Haitian society and its fledgling political system. He could not even guarantee parliament would pass the amnesty law, since 40 pro-Aristide members are in exile in Miami. But the October 15 deadline could not be avoided by the junta.

The agreement - and yesterday's apparently trouble-free US military landing - should bring political relief to Mr Clinton at home, where the prospective fully-fledged invasion remained unpopular.

The presence of General Powell in the delegation - another suggestion from Mr Carter eagerly taken up by Mr Clinton - provides a degree of political cover for the president against Republican criticism. The general's political neutrality is legendary but Republicans increasingly claim him as one of their own, largely because of his service under presidents Reagan and Bush.

In the short term, the agreement and the US occupation also removes all threat of a congressional vote of disapproval against US policies in Haiti. The Democratic leadership immediately began moves to get both Houses to approve the Sunday agreement and to express support for the US military mission. This will pass.

It will not, however, subdue for long persistent reservations about Mr Clinton's foreign policy decision-making processes, which, even over Haiti, are widely seen more as crisis-driven than the product of a strategic plan. There appear to have been some sharp divisions in the administration, investigations of which are certain to feature in the media. The position of Mr Anthony Lake as national security adviser seems most vulnerable.

Nor can Mr Clinton expect much lift from public relief at November's mid-term elections. In 1962, predicted steep Democratic losses were much reduced by the resolution of the Cuban missile crisis but that happened only a week before voting. A better comparison may be 1978 when Mr Carter's Middle East peace accords produced instant political benefit that mostly faded by polling day.

But, for the moment at least, Mr Clinton's agonies are less. He did take the fateful step of ordering US servicemen into a combat mission for the first time in his presidency but then was able to recall them before they landed. That outcome seemed inconceivable four days ago; it was even in doubt on Sunday evening.

US troops land in full strength

By George Graham
in Washington

The first US troops landed in Haiti yesterday in an operation that closely resembled the invasion they had planned to carry out just hours earlier.

"The most important differences are that we are not having to make a forced entry, we will not have to do it in the middle of the night, and we will not have to use our paratrooping forces to do it," said Mr William Perry, the US defence secretary, in a briefing just after the invasion was called off.

The original plan called for six paratroop battalions from the 82nd Airborne division to attack the Port-au-Prince airport, while Army and special forces landed by helicopter to secure the southern half of the capital.

At the same time, a force of more than 1,500 Marines planned an amphibious landing on Haiti's north coast, taking over Cap Haitien and other towns.

Instead of a parachute landing, troops from the 10th Mountain division landed by helicopter at Port-au-Prince airport.

Around 6,000 US troops were expected to be in Haiti by the end of yesterday, with the number rising to around 15,000 by the end of the week.

"We have, of course, the assurance of the Haitian government, but we do not believe we should have our troops depend just on that assurance, and so therefore they're going to go in in strength and fully armed," Mr Perry said.

In all, the US has had around 15,000 troops stationed off the coast of Haiti in a fourteen ship fleet, including the aircraft carriers Eisenhower and America and the amphibious command ship Mount Whitney. Vessels from Argentina and Canada have also been in position off Haiti.

Around 2,000 troops and personnel from as many as 24 other countries are due to join the US-led task force. Countries contributing to the force include Caribbean nations such as the Bahamas, Barbados and Jamaica, Latin American and European detachments and large contingents from India and Bangladesh.

Haitians wonder: What next?

James Harding joins a bewildered crowd watching the Americans fly in

Charlie said his friends, standing bewildered on the quayside across from a US aircraft-carrier in Port-au-Prince harbour, did not like him speaking English. "They want me to speak Creole or French, but I like to speak English because Americans is raining down in on the city," the former tourism operator said.

Most people, unsure whether the last-minute deal by the US and Haiti would stick, contained their enthusiasm. As the US troops arrived – not in a shower of paras, as the delighted Charlie described, but in a swarm of helicopters flying low over the bay to the civilian airport north of the city – Haitian heads lifted from their daily business. Neither in celebration nor defeat, most appeared to be wondering: "What next?"

At the police headquarters adjacent to the palace, sombre men in civvies, carrying an assortment of guns, waited for direction.

The marketplaces bustled. The men carrying baskets of *disweet* (flat-square bread), the women selling papaya and avocados, and the stores offering soft drinks and plastic trinkets that had squeaked through the two-year-old economic blockade, were in business.

With the price of staple foodstuffs up threefold and petrol 15-fold because of that embargo, the arrival of the Americans inspired hope of relief.

"When I saw President Clinton, I said 'God bless you' to America. This has gone on too long," said Moise Herbert, a driver in the Haitian capital. "This is the last chance for Haiti to be born again. We can't take more than we already have."

His friend, Pierre Joseph, a supporter of the ousted president Jean-Bertrand Aristide, was sceptical. "Cédras said he would leave before in October and now he is saying again he would leave in October. We don't believe him." He was referring to the last US-brokered agreement with the army chief, Lt-Gen Raoul Cédras, in 1993 which provided for the military to step down and Father Aristide to return.

If the future of Gen Cédras, the police chief Lt-Col Michel François, and General Phillippe Biamby, was unclear yesterday as more and more US military personnel arrived, the threat they posed to the Haitian people seemed to be receding.

Some people, who complained of the junta's reign of terror, now saw no need for a witch-hunt. One man said: "Cédras could stay if he wants because he is in his country, but he doesn't matter now."

One thing all agreed on was relief that there had been no hostile intervention. Zachary, a relief worker, did not know what the accord would bring, but said: "You've got to think it's good – there's no blood."

But, warned Zachary, there were still dangers. He did not believe the Haitian military would disobey Gen Cédras if he had accepted the agreement, but said there could still be casualties.

For example, "if one of them [the Haitian soldiers] does not know how to carry a gun and a bullet just takes off", he said, waving his arms in all directions.

The possibility of guerrilla warfare is another unknown. US officials do not rule it out. One embassy source yesterday predicted a tense night ahead and warned that US forces were still entering dangerous, if not openly hostile, territory.

Testing the temperature of popular sentiment is difficult. The walls of the capital are covered with anti-Aristide and anti-intervention graffiti, such as "no to Aristide – Aristide is Castro", and "1915 [the first year of a two-decade US occupation] – never again".

Whether these, like the small groups of anti-US protestors outside the palace over the last few days, are an outpouring of public feeling or commissioned by the military is not clear.

Honest comment has been further skewed by the arrival of thousands of journalists to whom Haitians, for a fee, are happy to give a big smile and a pro-American soundbite.

With so many questions unanswered – not least how many US servicemen will stay and for how long – the Clinton administration may find Charlie's expectations worrying. Asked what the US-led forces should do in Haiti, he said he wanted them to run the country.

"The city is too dirty, there are no roads – the Americans could do everything. I like the Americans to stay for all time – forever."

Clockwise, from top left: Jean-Bertrand Aristide, François Duvalier - "Papa Doc", Lt Gen Raoul Cédras, and "Baby Doc"

300 years of violence, and misbegotten intervention

Stephen Fidler describes Haiti's troubled history

Just 700 miles from the coast of Florida, Haiti is the poorest country in the western hemisphere.

The average Haitian has just 75 US cents a day to live on. According to the World Bank's yardstick, anyone living on less than a dollar a day is suffering dire poverty.

Haiti is an enclave of African-style poverty in Washington's backyard. The UN Development Programme calculates that, in terms of the quality of life of its citizens, Haiti ranks 131st out of 173 countries, just ahead of Zambia. Yet Haiti was once France's richest colony, furnishing two-thirds of its overseas trade. Rich with plantations of coffee, cotton, indigo and sugar cane, it supplied Europe with half its tropical produce.

The intervening 300 years tell a tale of appalling government, misbegotten foreign intervention and violence.

An almost unbroken line of blood connects the arrival of Christopher Columbus 502 years ago to the present day. Within 50 years of the navigator's arrival on the island of Hispaniola, which today French-speaking Haiti shares with the Spanish-speaking Dominican Republic, the estimated half million Arawak indians had perished, and the pre-Columbian culture had all but vanished.

It was in Haiti that Columbus is thought to have established the first European settlement in the New World, 500 years ago this year. When he returned 11 months later, the settlement had been razed and his men killed.

Haiti provided the world's single example of a successful slave revolt. After 12 years of struggle, Haiti became independent from Napoleonic France in 1804, so becoming the first "third-world" country.

France finally recognised Haiti in 1825, extracting in return a huge indemnity which remained a burden on the economy for decades, and left French financiers in positions of influence for almost a century.

Washington put in place a trade embargo in 1806 and the country was not recognised by the US for almost 60 years, with Washington fearful of the impact a successful revolt would have on its own slave population. Recognition was not achieved until the middle of the US civil war in 1862.

Between 1849-1913, US Navy ships entered Haitian waters 24 times with the stated objective of protecting American lives and property. In 1915, fearing German rivalry in the Caribbean, and amid a Haitian political crisis, the US invaded. Its forces stayed for 19 years.

The Americans built 1,600 km of roads, telephone exchanges and medical facilities, but few of these lasted much beyond an ignominious withdrawal.

There were longer-lasting legacies. The racism of US occupying forces is widely seen at the root of the development of *noirisme*, nationalist black-oriented political thought, of which a leading exponent was a black medical doctor named François Duvalier.

Duvalier, a minister in the late 1940s, was elected president in what was by Haitian standards a reasonably free and fair election in 1957. Duvalier – "Papa Doc" – sought to limit the influence of the army, the Roman Catholic church and the US, and to reduce the political and economic power wielded by the minority mulatto community.

Haiti's white plantocracy – the French aristocratic slave owners – were expelled by the revolution. But its spiritual descendants remained in a mulatto oligarchy, that even now – in co-operation with the black-dominated army – continues to dominate the economy and politics.

Duvalier subdued the army with the creation of a black militia, the National Security Volunteers, which became known as the Tontons Macoutes. He put to shrewd use voodoo, a synthesis of African belief and Catholic ritual that attributes the events shaping people's lives to myriad spirits. As a belief system, it is held to limit the responsibility believers feel for their own actions, and partly explains the lack of cohesiveness of Haitian society.

According to Elizabeth Abbott, the author of a 1988 book on Haiti, Duvalier studied "voodoo with as much devotion as an houngan [voodoo priest], and then twisted it and used it to keep an entire population at his pitiless mercy".

Life under Papa Doc quickly degenerated into violence and murder. By 1963, the US ambassador had been expelled, and one year later Papa Doc made himself president for life. The dynasty lasted until 1986, when his son Jean-Claude flew to exile in France. Baby Doc had taken over on his father's death in 1970. The Duvalier fortune was by that time estimated at $500m – although now Jean-Claude is reported to be penniless.

Baby Doc's exit was followed by several months of violence as people rid the country of signs of the dictatorship. The army took over but was eventually forced by popular pressure to concede elections, held on December 16, 1990. The victor, a radical priest, Jean-Bertrand Aristide, won 67.5 per cent of the vote against 14 per cent for his nearest rival. He presided for only seven months before a military overthrow on September 30, 1991.

Evidence emerging since the mid-1980s suggests a strong link between the Haitian military and the trafficking of cocaine from Colombia into the US through Port-au-Prince. This may be one explanation for the tenacity with which the army has held on to power in the face of US threats. "President Aristide is right when he says that one of the reasons the Haitian military will not let go is that their lifestyle depends on the drugs trade," US Senator John Kerry said last year.

Washington opposes suit over Brazil debt

By Stephen Fidler, Latin America Editor

The US government has stepped in to oppose a lawsuit filed by a big US family investor seeking repayment of \$1.4bn (£900m) of bank loans to Brazil, bought in the secondary market.

The investor – the Dart family whose fortune derives from the invention of the polystyrene cup – refused to join a \$52bn bank debt restructuring accord completed in April.

The Dart suit, filed in US federal court in Manhattan, among other things, seeks payment of interest arrears.

Washington's statement of interest argues: "The US has a strong interest in encouraging voluntary restructuring of sovereign debt" and that a successful claim by the Darts "would serve to undermine that interest".

It said that the US had in the past sought to discourage the use of the courts by debtor governments, so as to encourage negotiation over voluntary debt restructurings. It said, now that a secondary market in such debt had developed (its turnover last year was \$1,978bn), it did not want to encourage creditors to use the courts.

However, lawyers for the Darts are likely to argue that the statement refers to only one of the eight counts cited by the Darts – that of accelerated repayment. They may also argue that the US government position undermines the rights of investors who bought their loans in the secondary market, and that a judgment in its favour would hurt secondary market prices for bank loans.

Last week, the presiding judge dismissed a request from the Darts' lawyers for summary judgement in the case and said she would consider a motion to dismiss on the grounds that the eight counts have legal defects. If she fails to dismiss the case, the Darts' lawyers will elaborate their claim on October 7, and the Brazilian government will respond by October 28.

Under the 1988 agreement covering the bank loans held by the Darts, holders of more than 50 per cent of the loans could demand immediate repayment from the Brazilian government. To prevent the Darts from using this clause – after all other creditors had converted their loans in the 1994 agreement, the Darts would have been the biggest holders – Brasília made sure that the state-owned Banco do Brasil kept a larger holding of the 1988 loans. The Darts argue this is improper.

Angus Foster reports from São Paulo: In a move that marks a setback for the government, Brazil's car workers went back to work yesterday after manufacturers and unions had agreed at the weekend to a one-off payment to solve the week-long dispute.

Workers will receive a special bonus equivalent to about 25 per cent of this month's salary. Manufacturers also agreed to bring forward the annual pay round for many workers, now to take place in November instead of April.

The government, worried that pay rises will fuel inflation in its new currency, the Real, had sought to delay wage increases as along as possible. Government officials have said they will try to stop companies raising prices so soon after the Real's launch. But manufacturers have promised the government that the one-off payment will be paid for by productivity gains and will not be passed on through higher prices.

Chrétien launches drive on separatism

By Bernard Simon in Toronto

Canada's prime minister, Mr Jean Chrétien, is launching an offensive to defuse Quebec's drive towards independence.

In a speech delivered in Quebec City yesterday, he outlined several federal government initiatives and said he intended to campaign vigorously for national unity ahead of the independence referendum which the francophone province's newly-elected separatist government has promised to hold next year.

The Parti Quebecois won 77 out of 125 seats in last week's provincial elections in Quebec. PQ leaders indicated during the campaign that they will seek to persuade Quebeckers of the advantages of independence by relentlessly pointing out the inefficiencies of the present federal system.

The first front in the referendum campaign opened yesterday with the recall of Parliament in Ottawa. The Bloc Quebecois, the PQ's federal counterpart which holds 54 seats in the House of Commons, is expected to use its position as the official opposition to press the separatists' case on the national stage.

Mr Chrétien said that the federal government would release long-awaited proposals in the first week of October to overhaul Canada's costly social-security system. He also promised an "economic update" later this autumn, which is expected to outline a range of measures to bring down public spending. According to Mr Chrétien, sweeping changes will be unveiled to eliminate and scale back some government programmes, and transfer others to provinces, municipalities and the private sector.

Despite reports that the government is far off-target in meeting its deficit-reduction goals, Mr Chrétien reaffirmed that it would do "whatever is necessary" to bring the federal deficit down to 3 per cent of gross domestic product in the year to March 31 1997.

US warned of health reform need

By George Graham in Washington

A senior US budget official warned yesterday that, although no healthcare reform bill was likely to pass through Congress this year, the need for reform had not gone away.

"It obviously does not look like we are going to be successful this year," said Mr Robert Reischauer, head of the Congressional Budget Office, an independent agency which has been charged with checking the arithmetic of all the competing US healthcare reform plans.

But Mr Reischauer, speaking at a conference at Boston College, warned that effective reform of the healthcare system remained essential in order to keep the cost of healthcare from continuing to erode US disposable incomes.

The chances of completing such a large and controversial piece of legislation in the three weeks before the end of the present congressional session seem – to most observers – to be virtually non-existent.

However, Senator George Mitchell, Democratic majority leader in the Senate, and some centrist senators from both parties have continued to work on a possible compromise bill.

Although Mr Reischauer has made clear, over the past year, his own commitment to reform of healthcare in the US, his agency's assessments of the competing reform plans have contributed to congressional unwillingness to act on health reform this year.

The CBO's assessment, for example, of the comprehensive reform, presented a year ago by President Bill Clinton, concluded that the plan could achieve its aims by guaranteeing universal health coverage, but would cost much more in the near term than the administration had calculated.

Instead of cutting the federal budget deficit by \$60bn (£39m) over the next six years, as the administration estimated, the plan would increase the deficit by \$70bn, the CBO said.

Republican right-wingers such as Senator Phil Gramm, who have been fighting against healthcare reform all year, declared the issue dead some weeks ago. Also, some left-wing advocates of reform, such as Congressman Jim McDermott, worried that anything now likely to pass both chambers of Congress might do more harm than good, have given up the idea of acting this year.

Even so, some Democrats want a bill of some kind to come to a vote, if only so that they can pin the blame for failure on their Republican opponents.

"They've killed reform. Now we want to make sure their fingerprints are found at the scene of the crime," one Democratic staffer said.

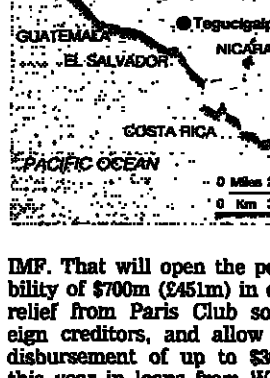
Progress among the plagues

Edward Orlebar assesses the new administration in Honduras

Mr Guillermo Molina, the Honduran planning minister, says: "It's something like the seven plagues of Egypt."

The country is undergoing a crippling energy crisis, water shortages, a drought that has devastated grain production, and a spreading cholera epidemic.

Energy is rationed between six and 14 hours a day, and the blackouts have set off a crime wave. Industrial production has contracted, investment is stagnant, foreign reserves have dried up, and economists are predicting negative growth this year.



If all that is not bad enough, the government wants to raise taxes to cut a growing budget deficit, and to release finance from the International Monetary Fund and the other international financial institutions. Its proposal will be put to Congress, which will be returning to work today after the independence day break.

The proposed measures are aimed to reduce the fiscal deficit from 11.6 per cent to 7.5 per cent of GDP. They include a 1 per cent capital tax, a widening of the scope of value-added tax, a tax on luxury goods, and a 10 per cent tax on interest from bank deposits.

The tax increases are required before Honduras can sign a letter of intent with the IMF. That will open the possibility of \$700m (£451m) in debt relief from Paris Club sovereign creditors, and allow the disbursement of up to \$300m this year in loans from Washington-based financial institutions, which have been held up.

The measures have elicited widespread initial opposition from unions and professional organisations, which say these will further harm the 80 per cent of Hondurans in poverty.

Also, the measures lack the support of a majority in congress, although business has made a late rally in the government's favour.

Success in congress may depend on the government's ability to make clear that prospects for the country are far more dismal if the package is not passed.

Officials say the government will be unable to meet its foreign debt commitments and would be declared ineligible for loans from the institutions on which it is heavily dependent.

"The central government does not have the necessary resources to meet its obligations," said President Carlos Roberto Reina in a televised address last week, when he attacked his predecessor, Mr Rafael Callejas, for mortgaging the country's future.

Officials of the ruling Liberal party have complained that the economic crisis is a legacy from the previous government, which abandoned fiscal discipline in an attempt to get re-elected, ran up the deficit and artificially held down prices in the months before the election last November.

Sharp price increases this year will push up inflation to about 36 per cent, from 12 per cent in 1993, say economists.

Mr Reina has found it difficult to sell what is effectively another structural adjustment plan when Hondurans have fresh memory of a harsh economic programme introduced by the last government. He not only lacks the support of the opposition National party in congress, which sees the package as a vote-loser, but must persuade a sector of his own party which has little appetite for a widely unpopular measure.

If the economy slides further and social tensions rise, Mr Reina risks a reversal of the successes of his government so far, say observers.

"The story on civil-military relations and human rights is exceptionally good," said a senior western diplomat. "It would be a tragedy for Honduras if support from the international community were to fall away."

Mr Reina has delivered on his promise to abolish forced military recruitment by pushing through a bill in May, despite ferocious opposition from the powerful military who have acted with almost total autonomy. It awaits ratification in the next session of congress, from January

He went over the heads of the armed forces to appoint his own candidate to head Hondutel, the national telephone company, which is run by the military, and has said he wishes to privatise it.

His government has also overseen the establishment of a new investigative arm of the police which will be under the control of a new civilian public prosecutor, after the disbandment of the DNI, a notorious, military-run police force accused of numerous violations by human rights groups.

Task force will tackle offshore financial crime

FBI and UK police combine

By Peggy Hollinger

The Federal Bureau of Investigation in the US and officers from the UK police's New Scotland Yard have joined forces to create a task force aimed at tackling white-collar crime emanating from British offshore territories.

The White Collar Criminal Investigations Team was set up in January to investigate fraud and money laundering which affects the British dependent territories in the Caribbean. Two UK officers have been assigned to the FBI's base at Miami, Florida.

The move comes as the UK government seeks to put pressure on its territories to change laws which allow company owners to hide behind nominee names. Such regulations make the work of criminal investigators almost impossible.

Mr Tony Baldry, a UK Foreign Office minister, is to hold a series of discussions with the heads of government in the territories when he visits the Caribbean next month.

International business companies, as these shells are called, are often used by money launderers as part of a complex finanical network through which funds cannot be traced.

According to one estimate by British intelligence, some \$500bn (£322bn) may have been "laundered" worldwide last year.

The territories and the UK government have been working together to crack down on criminal activity for some time. However, the territories are particularly sensitive about the rules regarding IBCs, which are substantial revenue earners for such entities as the British Virgin Islands.

The creation of the task force is disclosed in a documentary, to be screened tonight in Britain on BBC-1 television, describing the role played by offshore centres in financial fraud. More than 60 per cent of the world's money is estimated to reside in low-tax havens offshore.

Sixteen ships held after failing safety checks

By Charles Batchelor, Transport Correspondent

Sixteen foreign ships were detained in UK ports in August after failing safety inspections, the Marine Safety Agency said in its third monthly report yesterday.

This represented a decline on the 21 ships held in July though many of the vessels detained revealed a catalogue of serious defects. The government began publishing the details of unsafe ships after an inquiry headed by Lord Donaldson into marine pollution incidents criticised marine safety standards.

Lord Donaldson was asked to advise on measures to protect the UK coastline from pollution by merchant ships following the sinking of tanker Braer off the Shetlands in early 1993.

The commonest problems were with the ships' lifesaving or firefighting equipment but many had faults in their radio installations or carried inadequately qualified crews.

The Nesrin A, a Turkish-owned general cargo ship, was held for 17 days because its emergency fire pump did not work, the bridge fire alarm was out of order, its charts were out of date and a large number of its hatches were seized up or missing.

The Concert Trader, a Cyprus-owned vessel, had badly corroded plating on its bow section; sea water contamination in its fresh water tank and a chief engineer who was only certified for journeys between the islands of Indonesia.

It was allowed to sail to Rotterdam for repairs.

Three of the ships held were registered under the Cyprus flag while a further two each were registered in Bulgaria and Russia.

The failure of the "flag states" adequately to monitor the quality of the vessels they register has led to increased action by the port states, at whose ports the vessels call. Four of the ships had been inspected and approved by Germanischer Lloyd of Germany; three by Bureau Veritas of France and two each by the Bulgarian Register of Shipping, the Russian Register and Lloyd's Register of London. One Israeli vessel had not been approved by any classification society.

The societies have been criticised for failing to impose strict standards but the International Association of Classification Societies, which groups the 11 largest, said that under the tough conditions at sea defects can emerge after a survey has been carried out.

Details of ships detained in UK port inspections are passed on to 14 other European nations allowing ships with a poor record to be selected for future inspection.

Lloyd's is given an improved rating

Lloyd's of London has been given a more positive report than a year ago by Standard & Poor's, the US credit-rating agency, Richard Lapper writes. S&P's annual survey of the financial stability of Lloyd's syndicates indicates that the overall health of the market has improved in the past 12 months.

Mr Tony Evans, marketing director of S&P in London, said: "Many of the weak syndicates have been culled, so the market overall is a lot stronger."

S&P warned, however, that it considered that "the absolute level of Lloyd's security is, as yet, unclear".

S&P, which first published analysis of the financial health of Lloyd's syndicates in 1992, has made its annual survey more sophisticated this year, increasing the number of rankings from three to five.

Mr Adrian Richards, an analyst at S&P, said: "Although a direct comparison cannot be made between this year's and last year's rankings, generally there is a movement from average to above-average financial stability."

Of the 161 syndicates assessed, 80 were reported as enjoying above average financial characteristics – a category which takes into account factors such as reserve levels. Between 1993 and 1994, about 50 syndicates either withdrew from the market or merged with rivals. S&P said that many financially weaker syndicates had ceased trading. It said, however, that the "frequency of cessations is beginning to fall as a more co-ordinated and controlled approach is adopted by the market."

Saunders' trial was 'oppressive'

By John Mason, Law Courts Correspondent

Alleged fraudsters should be treated the same as other suspected criminals and not be deprived of their right to silence, the European Commission of Human Rights ruled yesterday in its judgment declaring unfair the trial of Mr Ernest Saunders, the former chairman of Guinness, the UK drinks company.

As expected, the commission ruled his trial was "oppressive" and breached Article 6 of the European Convention on Human Rights because the jury heard evidence Mr Saunders had given to Department of Trade and Industry inspectors when his right to silence had been removed.

The judgment also appears to support the interpretation of many UK lawyers that the unique powers given to the Serious Fraud Office under section 2 of the Criminal Justice Act 1988 which also allow the removal of the right to silence might also breach the convention.

The Commission did not mention Section 2 specifically but ruled: "It cannot be compatible with the spirit of the convention that varying degrees of fairness apply to different categories of accused.

"The right to silence, to the extent that it may be contained in the guarantees of Article 6, must apply as equally to alleged company fraudsters as to those accused of other types of fraud, rape, murder or terrorist offences.

"There can be no legitimate aim in depriving someone of the guarantees necessary in securing a fair trial."

As expected, the commission restricts its criticisms of Mr Saunders trial to the use of the DTI evidence in a criminal court. It accepted that the "right to silence" is not guaranteed by Article 6 of the Convention and accepts that this right may not be unqualified.

However, the judgment says: "The very basis of a fair trial presupposes that the accused is afforded the opportunity of defending himself against the charges brought against him. The position of the defence is undermined if the accused is under compulsion, or has been compelled, to incriminate himself."

Adams attacks poll pledge

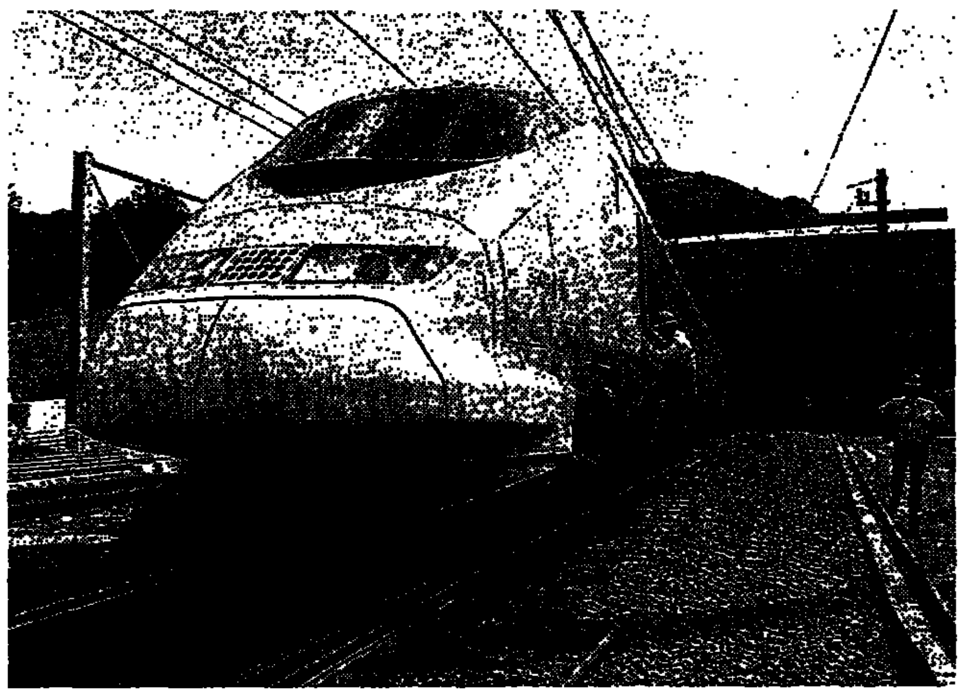
By David Owen, Jimmy Burns and Kevin Brown

Mr John Major's pledge to submit the outcome of political talks on Northern Ireland's future to a referendum inside the province was attacked last night as premature and presumptuous by Mr Gerry Adams, the Sinn Féin president.

His comments came as Mr John Hume, leader of the Social Democratic and Labour party, began the first of a series of visits to the United States by senior Ulster politicians.

Mr Hume, who is likely to meet vice-president Al Gore tomorrow, will be followed by a group of senior Ulster Unionist politicians and almost certainly by Mr Adams himself.

US, Irish, and UK officials are understood to have been working behind the scenes to ensure the visits by Mr Hume and the UUP representatives have a higher profile at official level than that of Mr Adams.



Colin Beere

The Eurostar test train

Channel car service near

By Charles Batchelor

A full Channel tunnel passenger service for drivers and their cars will be phased in from mid-November, Eurotunnel, the tunnel operating company, said yesterday.

Eurotunnel expects to obtain safety clearance from the inter-governmental commission in the next few weeks, clearing the way for the long-delayed start of its passenger shuttle service. This will carry cars and their drivers between Folkestone and Calais.

Shortly after shuttle services start, intercity Eurostar trains will also start running between London and Paris and Brussels. It will be next spring, however, before both services are operating at full capacity.

The launch of Channel tunnel passenger services has been dogged by technical and safety problems in recent months. It had been hoped to start services about the time of the official inauguration on May 6. Freight services have been running since the end of May.

In the approach to the launch of the full turn-up-and-go shuttle operations on November 15, Eurotunnel will run an "overture" service from October 3.

This will be open to all shareholders, people in the travel trade and other "opinion formers", although they will have to make a reservation and pay £30 to cover administration costs. This service will operate five days a week between 8am and 8pm.

In addition, shareholders eligible for free or cut-price journeys under travel privileges attached to the 1987 share offering and the 1990 rights issue will be able to use their privileges from November 15.

Eurotunnel said it had carried 10,000 cars through the tunnel in the past two weeks as part of its testing programme.

It will be next spring at the earliest before Eurotunnel is running its full proposed service of four shuttle departures an hour.

European Passenger Services, operator of the Eurostar trains, said that it would wait to obtain safety clearance before announcing its fares and the date when services would start.

It has been running four trains a day through the tunnel, carrying up to 400 members of staff for training sessions. Safety clearance would allow it to run fully loaded trains carrying up to 800 people and to complete its training programme.

Britain in brief

Lib Dems' tax plans in confusion

Attempts by the UK's third political party, the Liberal Democrats, to formulate a distinctive tax policy were thrown into confusion yesterday as the newly appointed Treasury spokesman appeared to overturn key planks in the party's latest tax and benefit proposals.

In a presentation to the party's Brighton conference designed to cast the Liberal Democrats as a party of low rather than high taxation, Mr Malcolm Bruce rejected a plan from its policymaking committee to back an increase in the top rate of income tax to 60 per cent. Instead he proposed that no one should pay a marginal rate of above 50 per cent.

At the same conference, Mr Menzies Campbell, the party's new foreign affairs and defence spokesman, called for the UK to maintain its current level of military spending, despite the traditional calls from some delegates for unilateral nuclear disarmament.

Mr Campbell said Britain should resist "another raid" on the defence budget even if recent attempts to forge peace in Northern Ireland led to a reduction in troops there.

Feelgood factor lags statistics

Consumer confidence has fallen this month, suggesting that the UK's recent spate of good economic data has still not translated into any overall "feelgood" factor among the population.

A survey by Gallup yesterday, conducted before the Bank of England's recent interest rate rise, shows that 31 per cent of people surveyed expected their household's finances to deteriorate in the year ahead compared with 19 per cent who expected an improvement.

Student numbers down on last year

The number of students enrolling at UK universities this year is likely to fall slightly compared to last year, after more than a decade of continuous expansion, according to the latest figures from the Universities Central Admissions System.

With the deadline for new applicants to the clearing system falling today, around 265,000 people have accepted places, compared to the target of 270,000, which was achieved last year.

Rail fund to sell old masters at Sotheby's

The British Rail Pension Fund is to sell 17 of the old master paintings it bought in the 1970s when it invested £40m in works of art. They will be auctioned at Sotheby's on December 7 and are expected to bring in at least £5m.

Woodland grant scheme under way

A grant scheme for tree planting was yesterday opened to applicants by the UK's forestry commission.

The scheme is a stepping up of government efforts to increase the production of conifers for timber and to improve woodland management. However, timber groups said the package failed to provide enough incentives for new land or money to be put into forestry.

The new woodland grant scheme, part of the government's review of the forestry sector, involves an increase of at least 10 per cent in funding.

BT and union back away from conflict

The executive of the National Communications Union is today expected to back off from industrial conflict with British Telecommunications over new working patterns.

BT and the union have been in negotiation for several months about new work patterns designed to ensure more staff are available to customers at weekends and in the evenings.

Smith & Nephew to redevelop in Hull

Smith & Nephew, the healthcare company, is to spend £41m ($64m) redeveloping its medical division's site in Hull.

The project, the largest single capital investment in the company's 138-year history, is intended to increase the division's capacity substantially and upgrade manufacturing facilities to keep pace with increasingly stringent international healthcare regulations.

In *the* past year, we've seen *our* storage business grow 30%, *our* PC business grow 100%, *and our* Alpha AXP sales increase 164%.

Some people think those figures already represent a comeback. To us, it's just a beginning. Digital is changing from a company famous for complicated decision-making, to one famous for decisiveness.

At our new Computer Systems Division, we're applying the lessons learned in our PC operation to our core business. The result: a division with its own manufacturing, engineering, sales and marketing–one that lets us pay more attention to your needs, with systems unequaled in their openness and range of choice.

THE BEST OF CISC, THE BEST OF RISC

That choice begins with two equally supported platforms–Intel™ CISC for very high volume and high performance PC clients and servers, and our 64-bit Alpha AXP™ RISC for absolutely blinding performance in workstations and servers. And we offer the only products you can convert from CISC to RISC.

Now the industry is finally beginning work on 64-bit RISC, and we're happy to see this endorsement of Alpha AXP. But HP and Intel say it'll take a few years. We have 64-bit RISC now. With 6,000 applications.

OUR SYSTEM: MANY SYSTEMS

Fact is, Digital is a multiple operating system company because that's what most of you are. In DEC OSF/1® we have the most standards-compliant, highest quality UNIX® in the industry. It gives you outstanding high availability features through clustering and the fastest recoverability of any UNIX on the market. And ours is the only commercial 64-bit UNIX system, which experts say will keep us the price/performance leader for years.

We offer OpenVMS™ because millions need it, as it provides the best clustering capabilities on the market for high-security, high-throughput, business-critical work. We plan to support it, invest in it, keep customers fully operational with it, and introduce it to new customers as well.

What's more, Digital has partnered with Microsoft® to bring you the Windows™ operating environment, Windows NT™ Workstation and Server.

All these system options give you one very important thing. Choice without compromise.

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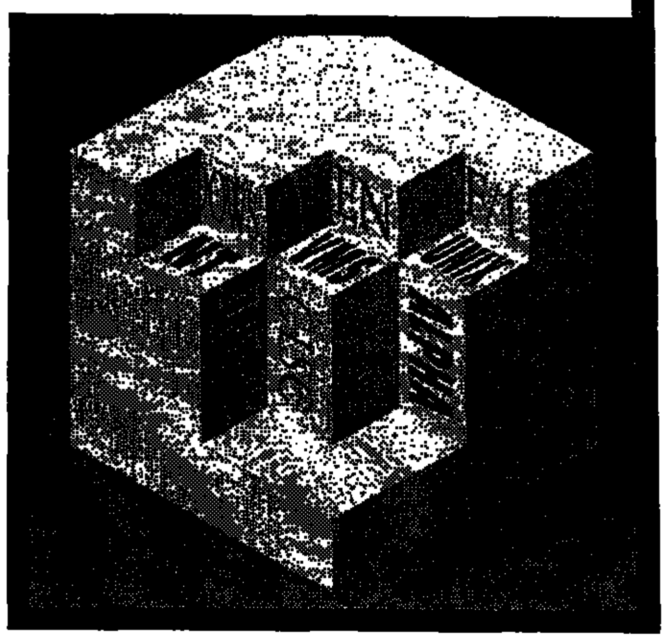
OUR STRATEGY: YOU CALL THE SHOTS

This multiple platform/multiple operating system strategy means we never have to force a migration on you. You choose what's best now and we support it. You decide when, where, or if you want to migrate and we provide what you need. Simple.



THE MOST ADVANCED TECHNOLOGY

Nothing proves this better than our pioneering 64-bit RISC architecture. Where else in this industry are so many competitors so far behind a single leader? Right now, our Alpha AXP clients and servers offer the highest performance and the best price/performance you can buy.

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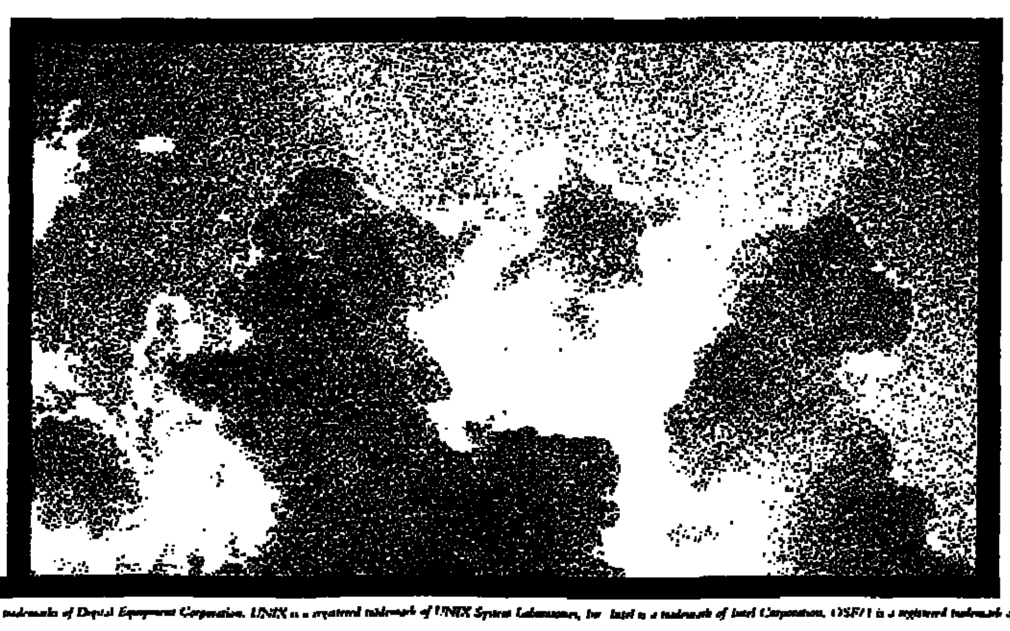
One thing that definitely isn't changing is our world-class service and support. To be even more responsive, we're dramatically expanding our relationships with resellers, VARs and System Integrators. Of course, if you need a direct relationship, we're here, with our partners, delivering the products. Our goal is to be the easiest company to do business with. With the products and support that will keep you competitive into the 21st century.

Just like us.

But don't worry, we're planning *a* comeback.



digital™

MANAGEMENT: THE GROWING BUSINESS

Expansion on the agenda

Two surveys indicate recovery and growth, writes **Andrew Taylor**

British industry and commerce seem to be getting itchy feet. Many senior executives are contemplating moving their headquarters to new cities as their businesses recover and they feel constrained by their surroundings, according to two separate surveys.

The most surprising feature of the surveys is that expansion is the biggest reason given by companies expecting to relocate in the next five years. Over the past few years cost cutting and staff reductions were the biggest reasons for moving headquarters.

Neither the identity of the companies, nor the extent to which relocations might include manufacturing operations, has been revealed. Some of the businesses may be divisions of big groups, but many appear to be small and medium-sized companies with an average annual turnover of £26m. The survey by Black Horse Relocation, part of Lloyds Bank, and Management Today magazine, shows that more than a fifth of

'The recession has not prevented new businesses from being formed or growing'

senior executives who responded expect to relocate in the next five years.

John Carolan, managing director of Black Horse Relocation, says: "The recession has not prevented new businesses from being formed or growing. A number of these appear to have reached the size where they will need to move. There may be some bunching with companies postponing decisions until they feel more confident that the recovery will be sustained."

The survey received replies from chairmen, chief executives and other senior directors from 536 companies. More than a third cite expansion as the main reason for moving, twice the proportion indicating restructuring or reorganisation.

"It is the first time in the 21 years that I have been in industry that companies have cited expansion as the main reason for moving. It is very encouraging for the economy," says Carolan.

A separate survey of 480 directors and senior managers by property consultants Richard Ellis shows that 31 per cent expect to relocate their office buildings in the next five years as a result of "major structural changes in their industries". Among the most important features in choosing a business location, according to the surveys, are quality of the local workforce and road communications.

Property costs are regarded as much less important, says Richard Ellis. The survey says that only half of those interviewed "claimed they knew the annual cost per person of occupying their present building and only 22 per cent knew their moving costs per person".

Quality of life appears to rate highly with executives who chose Bristol, Edinburgh and Nottingham as the most favoured centres for locations in the Black Horse survey. Provincial cities such as Norwich, Plymouth and Exeter were highly regarded.

The most important personal factors in support of relocation cited by executives include: overall quality of life (57 per cent), cost of living (30 per cent), crime rate (29 per cent), access to countryside (27 per cent) and the quality of schools (26 per cent).

On business grounds the main reasons cited by executives are quality of the local workforce (57 per cent), cost of overheads such as local authority rates (36 per cent) and availability of local customers (23 per cent).

Property costs and competitive wage rates score 21 per cent and 20 per cent respectively.

Black Horse, which expects to move about 4,500 families this year on behalf of companies and public-sector organisations, says: "We are still evaluating the results of the survey but there appears to be a new dimension to relocations compared with the 1970s and 1980s, which mainly were concerned with reducing overheads rather than improving the quality of the business."

Bitten by the bug

Alan Mitchell on why UK businesses are finding the BS 5750 quality standard increasingly catching

It is something a biologist would recognise immediately: the highly effective strategy of the virus and the chain letter. Both have an in-built mechanism to make sure that whoever is at the receiving end of the "message" passes it on to at least another five or six unfortunate souls. That way it spreads through the population at maximum speed.

Tucked away in the quality assurance standard BS 5750, or BS EN ISO 9000 to give it its new official title, is a similar masterstroke: the requirement that every company seeking *quality accreditation must* have a purchasing procedure which examines the quality policies of *its* suppliers.

As a result, a July poll by the Small Business Research Trust (SBRT) recorded a rapid rise in small business BS 5750 registrations. One in 10 had already registered and a further 31 per cent were planning to. Most of the companies registered because the business concerned felt under pressure to do so.

As Reginald Shaughnessy, chairman of the committee responsible for ISO 9000 at the International Organisation for Standardisation, admits: "Eighty-five per cent of the use of the standard is primarily for third-party supplier registration rather than a self-imposed internal system for quality effectiveness and continuous improvement."

That, complains David Martin, head of the trade and industry committee of the UK Federation of Small Businesses, means "BS 5750 has almost become a licence to trade".

Viruses breed resistance, and this one is no exception. Criticisms among small businesses of BS 5750 are familiar. The charges include that it is too costly in terms of consultants' fees, management time and bureaucracy; it is unnecessary for smaller organisations where there are flatter lines of communication; it is manufacturing-based and not relevant to services; it is merely being used as a marketing tool; it is more of a consistency standard than a quality standard; it encourages an obsession with processes instead of customer focus.

"The whole approach of BS 5750 has a tendency to make you inward-looking. Using it you can produce lousy products very efficiently," says Martin. "A lot of our members say it is an absolute con-trick to force them to pay a hell of a lot of money to consultants."

These criticisms are by no means unanimous. According to the SBRT survey only firms with up to four employees are strongly against BS 5750, while 56 per cent of businesses employing 20-43 staff feel it is appropriate. In addition, a growing number of small to medium-sized service companies are discovering benefits. Peter Brown, operations director at market research company Harris, says BS 5750 helped the company cut rather than add to paperwork, while Jerry Wright, managing director at recruitment consultancy Michael Page, found that seeking accreditation forced him to improve the structure of job interviews.

Likewise, Yorkshire-based advertising agency The Charles Walls Group discovered it needed to tighten up its training procedures. John Oldfield, group managing director, says: "BS 5750 focuses the mind on processes that everybody takes for granted – and interprets differently. Anybody who says it is onerous is not running their business properly."

Criticisms are at last being slowly addressed. Since April the British Standards Institution has been applying a streamlined accreditation system for smaller companies which it claims is "proving very successful".

More significantly, there are moves to change both the content and context within which BS EN ISO 9000 operates. ISO has embarked on a review – due in the next few years – which it says is far wider in scope. On its agenda is what Shaughnessy calls the "flaw in application" where the accreditation badge is seen as more important than the commitment to total quality.

Meanwhile, a European Commission paper, called "Elements of Quality Policy" is seeking to put ISO 9000 "back in perspective" as just a small part of TQM. In addition, a small but fast-growing band of blue chip companies, including parts of Exxon, Kodak, Unisys, Du Pont, Scottish & Newcastle and Southern Electric, have sought accreditation for an officially recognised extension to BS 5750 covering marketing, sales and customer service – an extension which its originator claims fills many of the gaps left by the current standard.

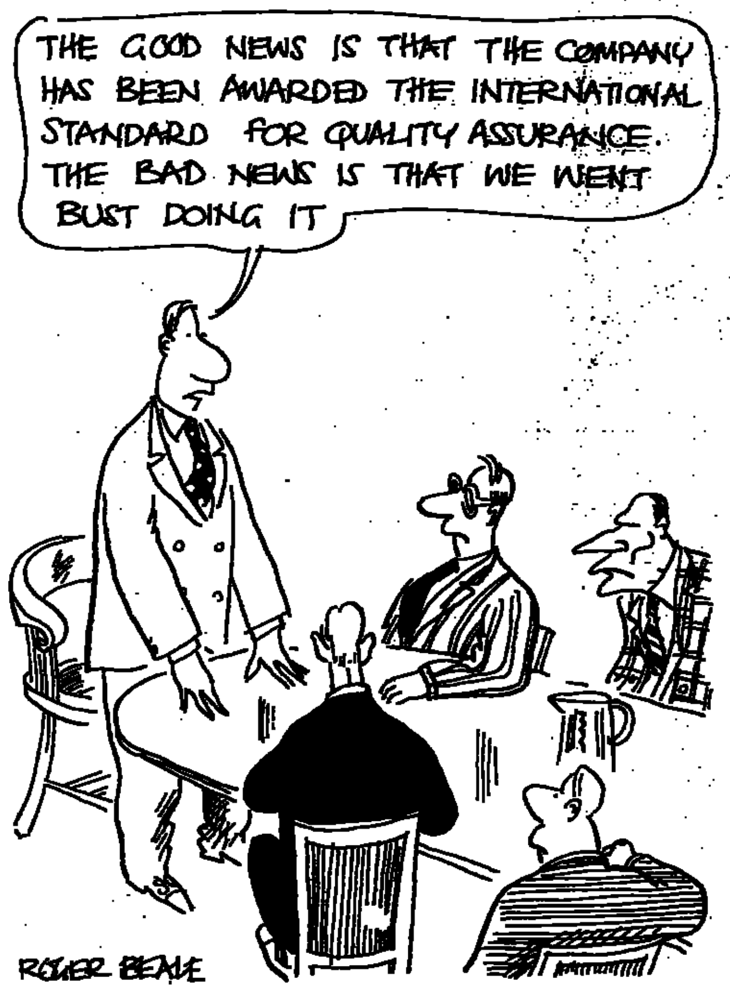
At present, while BS 5750 has limited procedures for responding to customer complaints and aspects of sales, it does not force the business to answer fundamental marketing questions, says Ian Griffith, joint managing director of Marketing Quality Assurance, the recognised BS 5750 accreditor which developed the extension.

The questions include how the company identifies customer needs; how it integrates these needs into a business plan; how that in turn is manifested in a marketing strategy; the procedures used to implement that strategy and the methods used to measure its success, including a measure of customer satisfaction.

Griffith, who advised the DTI on its recent marketing initiative, says his experience of accrediting companies' marketing, sales and customer service functions reveals that small and large organisations share common failings, such as a lack of rigour in the gathering of customer information and feeding it into internal decision-making; a lack of agreed procedures for segmenting markets and products, and poor internal communications between marketers and other functions.

A few smaller companies such as Michael Page and Yorkshire-based window fixings and fastenings firm WMS Group have already gained accreditation for their marketing and sales. Griffith is now working on creating specific guidelines for individual industry sectors, such as car dealers.

However, whether the combined effect of such initiatives will succeed in winning the critics round remains a moot point, if only because experience of implementing BS 5750 varies so widely. As David Kent, WMS group chief executive and a self-proclaimed enthusiast of third-party accreditation schemes, says: "It's very difficult to put financial numbers on it. It's like religion. You either believe in it, or you don't."



In a Nutshell

Bank charges take a tumble

Increasing competition among large UK banks has driven down bank charges over the past two years, reversing some of the rises imposed during the recession, according to a price index published in the newsletter Small Business Perspective.

Since June 1992, the big four banks – Barclays, NatWest, Lloyds and Midland – have reduced bank charges by more than 6 per cent after taking account of inflation, it said.

The largest banks have been cutting their charges faster than the smaller banks, although smaller banks generally remain cheaper.

"It does not mean that all bank charges are going down but it does mean – contrary to the general impression – that basic processing charges for small firms, which rose during the recession, are now being driven down again by competition," said a spokesman for Small Business Perspective, which is published by Graham Bannock and Partners, a London-based consultancy.

Holding on to the business

Only a third of small business owners have long-term plans to sell up and retire, according to a survey by Lloyds Bank and the Small Business Research Trust.

Most people want to maintain their relationship with their businesses in some form, usually working "reduced hours" or "visiting on an occasional basis".

The survey found striking differences between the responses of men and women owner-managers. Only 20 per cent of women wanted to sell up, compared with 38 per cent of men. Some 15 per cent of women said they would "never want to withdraw" compared with 4 per cent of men.

The report was based on responses from 350 small businesses in the north, midlands and south-east UK.

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PKF worldwide

On the instructions of the Assets Management and Recovery Corporation of The Gambia

The Joint Receivers offer

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THE GAMBIA

LOCATION: Situated slightly off the coast road 6 miles from Banjul on Cape Point, Bakau on the south side of the mouth of the River Gambia, Aimes Beach Hotel and Apartments opened in 1988 and lies in extensive landscaped tropical gardens with a wide beach frontage.

The grounds have been extensively landscaped with lawns, palms of several varieties, flowering shrubs and hedging dividing off all of the walkways from the bedroom blocks to the main building.

ACCOMMODATION: Consists of 120 twin bedded rooms all with shower, toilet and private balcony. In addition there are 45 one bedroom self catering hotel apartments each with en-suite facilities, kitchenette, terrace/balcony and lounge area. Each are situated in 2 storey bedroom blocks equally spaced around the grounds with interconnecting walkways back to the main building.

CASINO: A fully equipped casino is included in the hotel complex and a casino licence is available.

FACILITIES: These include swimming pool, tennis courts, volleyball courts, 4 bars, 3 restaurants and the complex includes several shops, a supermarket and private apartments presently producing substantial rental income.

Expression of interest or offers should be directed to the offices of the Joint Receivers Stewart Baird and Peter Smith at:

Pannell Kerr Forster
PO Box 268, 3 OAU Boulevard
Banjul, The Gambia
Telephone 010 220 228345 or
Pannell Kerr Forster
17 Rothesay Place, Edinburgh, EH3 7SQ
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- Turnover approximately £12m per annum
- Operates from a 4.5 acres freehold site
- Highly skilled and experienced workforce of 460
- Highest quality production management team
- Blue chip customer base, home and export
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- Equipped with modern technology

Interested parties (principals only) should contact Bob Hale, Robson Rhodes, Centre City Tower, 7 Hill Street, Birmingham, B5 4UU. Tel: 021 643 5494 Fax: 021 643 7738

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Robson Rhodes is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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Nelson, Lancashire

Seed-Nelson Limited (In Receivership) has been an established Ford main dealer for over 50 years and has recently acquired a "Rapidfit" installation franchise.

- 4,000 sq. mtrs. freehold premises with secure vehicle compound
- Experienced sales force
- Comprehensive body and paint shop
- Annual turnover £4.5 million
- Established customer base

For further details contact the Joint Administrative Receivers: Malcolm Shierson and Maurice Withall, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD.

Tel: 061 834 5414. Fax: 061 832 6042.

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On behalf of the Joint Administrative Receivers

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The Joint Administrative Receivers, Len Gatoff and Ian Brown, offer for sale the business and assets of the above company.

- The company offers shop and site services for steel fabrication and pipe erection work and holds British Standard 5750.
- Well established customer base.
- Experienced work force including quality control personnel.
- The company operates from a freehold Middlesbrough site which comprises a three storey office building and two workshops.
- Projected 1995 turnover in excess of £1 million.

For further information please contact either W. Paxton or N. S. Wallace at Touche Ross & Co., Central Exchange Buildings, 93a Grey Street, Newcastle upon Tyne NE1 6EA. Tel: 091 261 4111. Fax: 091 232 7665.

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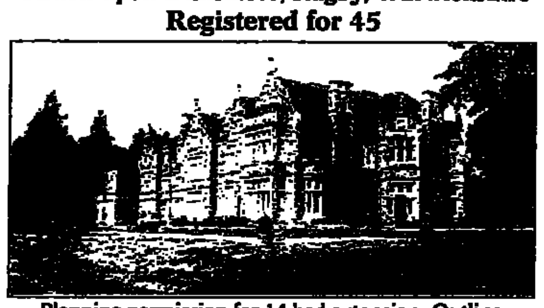
Registered for 45



Planning permission for 14 bed extension. Outline planning for 22 close care units. Approximately 7½ acre grounds. 3 bedroom detached house.

£1,300,000 freehold

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Coopers & Lybrand

McDonald Engineering Plc

The Joint Administrators, L R Bailey and S J Taylor, offer for sale the business and assets of this leading specialist engineering and contracting organisation.

Principal features of the business include:

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- central location with excellent recently upgraded freehold premises in Derby
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For further information please write to L R Bailey Esq at Coopers & Lybrand, Cumberland House, 35 Park Row, Nottingham NG1 6FY. Telephone: (0115) 9419066. Fax: (0115) 9470862, or contact Hazel Bijou at the Company's premises on (0332) 380791.

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ETBA

HELLENIC INDUSTRIAL DEVELOPMENT BANK S.A.

INVITATION TO DECLARE INTEREST

ETBA S.A., whose registered office is in Athens (87 Syngrou Ave.), legally represented, in its capacity as sole owner, possessor and holder of the Maritime Industrial Estate (Greek abbreviation: NA.VI.PE.) at Platygiali, Astakos, as described in detail in par. 2 of the Summary Description below,

hereby invites

declarations of interest in writing from individuals or companies regarding the use of and development of investment activities in a part or all of the NA. VI.PE.

SUMMARY DESCRIPTION OF NA.VI.PE.

1. The NA.VI.PE. at Platygiali, Astakos in the prefecture of Aetoloakarnania is located in the Bay of Platygiali in western Greece, about 10 kilometres from the Bay of Astakos. It covers a total area of approximately 1,800,000 m^2 as follows:
Industrial Sites (Blocks 1 to 15): 613,000 m^2.
Waterfront Industrial Sites: 215,000 m^2.
Port Installations: 325.000 m^2.
The harbour area of the NA.VI.PE. consists of quays and piers with depths of 8 to 14 metres.
2. The NA.VI.PE. was delineated as an industrial area by virtue of Ministerial Decision 173 of 11.4.1984 (Government Gazette issue B. no. 238/16.4.1984) which was issued pursuant to Law 4458/1965 on Industrial Areas as same remains in force.
It was also delineated as a free customs zone by virtue of Presidential Decree 133 of 30.4.1990 (Government Gazette issue A, no. 54/10.04.90).
3. In addition to the favourable legislative framework, the NA.VI.PE. is also linked by secondary road with the existing national road network, is served by the Hellenic Telecommunications Organisation, is connected with the national grid of the Public Power Corporation and has its own private water supply.

TERMS OF THE INVITATION

1. Interested parties should contact the competent department of ETBA (Regional Development and Industrial Infrastructure Division (17 Panepistimiou St., 6th floor, tel. 32.30.771 - 32.37.384) for an interest declaration form and the relevant information on the NA.VI.PE. in order to submit a declaration of interest in writing.
The form and relevant information are provided free of charge but the interested party must appoint a resident agent in Athens to receive correspondence on his/her behalf.
2. The aforementioned forms will be available until Friday 30 September 1994.
3. After studying the interest declaration form and relevant information on the NA.VI.PE, interested parties may submit questions to ETBA pertaining to all legal, technical or financial aspects which in their opinion could have an effect on their offers.

Questions must be submitted in writing and, together with the corresponding replies, will be communicated to all parties which have declared interest.

Interested parties should, on their own responsibility, using their own means and at their own expense, make inquiries in order to form their own opinion of the NA.VI.PE, its technical characteristics and legal status.

Due to the large volume of technical and other data pertaining to the NA.VI.PE., ETBA will provide all possible assistance and information to interested parties, without however being in any way bound as to the completeness of the information or data so provided during this present stage of inviting declarations of interest.

4. Interested parties must submit their declarations of interest within three (3) months from the expiry date stipulated in par. 2. above.
5. ETBA will evaluate the proposals submitted and select those which it considers to be the most attractive, in order to begin negotiations with the interested parties with the aim of identifying the best and most advantageous solution possible.
6. ETBA assumes no responsibility or obligation towards the parties declaring interest. Moreover, it may at its absolute discretion alter the procedure, conduct negotiations with a third party which has not declared interest in the present phase and in general follow any procedure which safeguards its interests in the best possible manner.
7. All parties declaring interest must accept that they do not acquire any right, demand or claim from the present invitation nor from their participation in the procedure.
8. All expenses incurred will be paid by the participants and if, as is likely, participants have to travel to the NA.VI.PE, all travelling expenses will be paid by the interested parties.

For further information, interested parties may contact:

ETBA S.A., Regional Development and Industrial Infrastructure Division
17 Panepistimiou St., 105 64 Athens. Tel.: 32.30.771 - 32.37.384. Fax: 32.36.396.

Ask for: Nikos Georgoulis (ext. 450), Nikos Kaninias (ext. 123), Dina Papalexi (ext. 428), Sarandos Lekkas (ext. 117).

Code of Athens: 01

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  - commercial refitting work
  - maintenance of private yachts.
- A world famous brand in the above areas of activity, with a reputation for quality
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17 C&N 82

The contents of this advertisement, for which the directors of Camper & Nicholsons (Yachts) Limited accept responsibility, have been approved for the purpose of Section 57 of the Financial Services Act 1986 by Coopers & Lybrand, a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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Leasehold 125 years
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BUSINESS AND THE LAW

Shrinkage at the top table

David Temporal on why law firms feel the need to expand

Like a shark that has to keep moving or die, there is a strong instinct and compulsion in professional law firms to grow. Why is this? Is it simply the egos of partners, or are there more fundamental strategic issues at stake?

"I'm not here to mark time or just collect my salary at the end of the month and leave it at that. I want to be a part of something that will be larger than it is now and more successful. I want to contribute to that success and to be rewarded for it. If I can't get those things here then I will go to a firm which can offer them to me."

This statement, by a young lawyer in a London-based law firm, points to a key management issue before many firms: the link between growth of the firm and retention of highly talented, ambitious and motivated people.

To be successful, professional firms need to have people motivated to push just that bit harder and go that bit further in meeting clients' needs. Retaining people with these qualities and characteristics requires firms to have the potential and willingness to grow.

There are two key reasons behind this "growth imperative" in professional firms: the first is the cocktail of motivational drives in professional people; and the second is the need to sustain the profitability of the business.

The motivation and psychological drives of professional people tend to differ from those who follow alternative careers in quite fundamental ways. Professional people have a greater need than the average person in an organisation for:

- influence over their own future;
- constantly meeting and overcoming new challenges;
- professional growth and development, to be able to handle better quality work and clients;
- recognition;
- and for a feeling of value.

For many young lawyers the ultimate career prize is to become a partner. At a stroke many of their needs are met. As partners they have a say in the direction and thinking of their firm, and so satisfy their need to influence their own future. It can provide new challenges, and is certainly a mark of recognition by colleagues.

Motivating high-quality people to remain with the firm and to perform highly therefore involves ensuring the goal of partnership is realistic and achievable.

Maintaining this motivation requires firms to grow at a rate that results in a steady flow of new partners, in order to convey a sense to people that their ambitions can be satisfied.

This does not mean everyone can become a partner but it does mean the prospect for talented people to achieve partnership must be evident. People understand the economic reality of life in a professional firm and that new partners can be appointed only if the business is growing. Hence if people do not see growth, they will seek alternative routes to meet their needs.

The second explanation for the growth imperative is economic. The profitability of most medium to large law firms depends upon having an appropriate economic relationship between equity partners and other fee-earners, namely its leverage. If the leverage falls below a certain level then, assuming other economic variables remain constant, profitability will fall.

Maintaining a steady flow of new partners requires a firm to increase the volume of work to sustain more partners without diluting earnings of the existing partners. For example, a firm with a leverage of 4 to 1 has to ensure that for each new partner it brings into the equity there is enough work to sustain another person at a partner rate and four other fee-earners. Each new partner must generate sufficient work to maintain the firm's leverage.

Hence one way to reconcile the need to ensure people are motivated (by seeing that the "ultimate prize" can be realised) with the need to sustain the economics of the business is to maintain a reasonable growth rate.

This is not, however, an option available to every firm, and many will find growth very difficult to achieve in the latter 1990s. An analysis of growth rates of the medium to large firms across the country highlights quite stark differences between the top nine City-based firms and the rest, and also between the firms in the top nine. Growth rates among these nine firms over the last three years vary between 5 and 32 per cent.

What are the implications for firms that cannot sustain growth comparable to the competition's? Are they to accept that holding on to good people is almost impossible and that they are likely lose their best people? This is not an option for any firm wanting to remain competitive.

Even if the value of work is unlikely to grow much in the short term, the principles governing the motivational needs of people still apply. One short-term option for firms facing limited growth is to ensure there is a real sense of momentum in the firm so people can see a realistic possibility of advancement to partnership.

This requires a rigorous approach by the firm to the performance criteria for both potential and existing partners. Firms need to engineer more room in the partnership to allow people with the requisite qualities to become a partner, to the extent of requiring existing partners to leave. Moreover, the ability to expand the business through increased revenue from existing clients or through attracting new clients must become a mandatory skill for every partner.

Another option for non-growth firms is to enhance the effectiveness of the organisation itself. It needs to provide people with an environment in which they can satisfy their motivational drivers without achieving partnership. Achieving this requires a further, mandatory ability among partners – to provide high levels of leadership coupled with an ability to manage people more effectively than is the case among most professionals today.

In a period of intense competition, when attracting and retaining high-quality people is so important, it is essential that firms achieve rates of growth equal to or above the average for those in their group. If they cannot achieve the growth required then partners will need to change their management style in a fundamental way. If they cannot do either, they run the risk that their most talented people will be attracted elsewhere and that this will trigger a steady decline in their fortunes.

The author is a partner with management consultants Hodgart Temporal & Company.

PEOPLE

Pajares accepts Savoy offer

The Savoy group yesterday announced that Ramon Pajares, general manager of London's Four Seasons hotel, is to become its managing director on November 7.

Pajares' appointment, while expected, will be greeted with relief by the Savoy and its newly-constituted chairman's committee of Sir Ewen Fergusson, Rocco Forte and John Sinclair.

The committee was set up last week after the departure of Giles Shepard as managing director and represents a truce between the Savoy and Forte factions on the Savoy board. Forte holds a majority of Savoy shares but a minority of votes.

Pajares was the favoured choice of both Forte and the veteran Savoy board members who remain after Shepard's departure. Pajares kept Savoy waiting for a week while he consulted senior executives of the Four Seasons group, which is based in Toronto.

While excited by the Savoy offer, Pajares found it difficult to leave Four Seasons. He had been at the London Four Seasons (formerly Inn on the Park) since it opened in 1970. He was then executive assistant manager and food and beverage manager. After a spell in the Canary Islands and Canada, he became general manager in 1975.

Born in Spain, Pajares is now well settled in London and is one of the city's most respected hoteliers. He has received official honours in Spain; in his adopted country he was made a Freeman of the City of London in 1988.

(See Observer)

Bodies politic

Charlie Woods, a senior official with Scottish Enterprise, the development body for Scotland, is to be chief executive of Scotland Europa, which supports Scottish organisations in Brussels.

He succeeds Grant Baird, the former Royal Bank of Scotland chief economist who opened Scotland Europa in 1992. Yesterday Baird became chief executive of Scottish Financial Enterprise, the body which promotes the Scottish financial services industry.

Scotland Europa, an offshoot of Scottish Enterprise, assists Scottish organisations and companies in their dealings with the European Commission. It can advise and represent them, give them early warning of developments that may affect them, and also provide them with office space in Brussels. It has had more success signing up public sector organisations than companies.

Woods held senior posts with the Scottish Development Agency before it became Scottish Enterprise and put together Scottish Enterprise's network of local enterprise companies. His most recent job at Scottish Enterprise's headquarters was director of Scottish and international operations. He is currently in California, investigating US electronics companies, a big source of investment in Scotland.

■ Lord Younger of Prestwick (below), chairman of the Royal Bank of Scotland and former defence secretary, has been appointed chairman of the Board of Trustees of the ROYAL ARMOURIES for five years from October 1. He succeeds Lord Eden of Winton.

■ Tom Machin, ceo States of Jersey personnel department, will become director general of the BRITISH PRINTING INDUSTRIES FEDERATION as from April 1 1995.

Peter Ridsdale quits QVC

■ Peter Ridsdale, chief executive of QVC, the loss-making home shopping channel, has left the company abruptly and has been replaced by Mark Suckle who, as managing director of Perennis, his own UK-based product development consultancy, has been associated with QVC for the past six years.

The 24-hours-a-day shopping channel went on air on October 1 as part of the British Sky Broadcasting's multi-channel subscription package, following the success of the concept in the US.

At the recent Edinburgh International Television Festival, QVC's chairman Barry Diller said QVC in the UK was losing money "like a sieve" – $15m a year. He said the channel was reaching only between 2m and 3m homes and the cost of satellite charges was high. He added, however, that he thought the channel would be in profit "in a couple of years".

According to William Scherеck, president of QVC International, the decision to change the chief executive was not a negative comment on Ridsdale. "We felt we had to take an opportunity to strengthen the management," said Schereck. Suckle, a native of Philadelphia who has lived in London since 1971, has almost 30 years' experience in direct marketing and is a former vice president for product development for Franklin Mint Worldwide.

Finance moves

Kenneth Inglis, the new broom at the top of Fleming Investment Management, has chosen the marketing team for his first sweep. Patrick Johns, the gentlemanly ex-Army director of marketing, has decided to consider other career opportunities, Fleming said yesterday.

Fleming's core business, running UK "balanced" pension assets, has been struggling in recent years, mostly as a result of some unfortunate asset allocation decisions in 1992 and in the late 1980s. Thus, marketing Fleming in its core market would have been a hard sell for anyone. However. Inglis, recruited away from Allied Dunbar where he racked up an impressive set of investment returns over many years, has decided that a different approach to marketing is needed.

Inglis, who has praised Johns' marketing skills highly, plans to visit Fleming's top 40 or 50 clients himself, and personally explain the firm's investment strategy. "We need to have investment professionals talking directly to clients," he says.

Presumably, that requires having investment professionals running the marketing team.

■ Mark Cliffe, formerly chief economist of Nomura Research Institute, has been appointed chief international economist at MIDLAND Global Markets Research.

■ Stephen Peak has been appointed a director of TR EUROPEAN GROWTH TRUST.

Non-executive directors

Lord Prior, the former Cabinet minister, is retiring as chairman of Allders, the department store and duty free retailer that was floated last year, to be replaced by John Pattisson.

Pattisson, 63, is a non-executive director of Wassall and Blenheim Group, as well as chairman of Hanson Pension Trustees and Imperial Group Pension Trust. He became a non-executive director of Allders last September, shortly before the flotation, when Lord Prior indicated his desire to retire this year.

Pattisson spent much of his career in corporate finance with Dawnay Day & Co, the merchant banking group, which in 1964 floated Wiles Group, the company that is now Hanson. He served as director of many companies associated with Dawnay Day, and became an executive director of Hanson from 1981 to 1989.

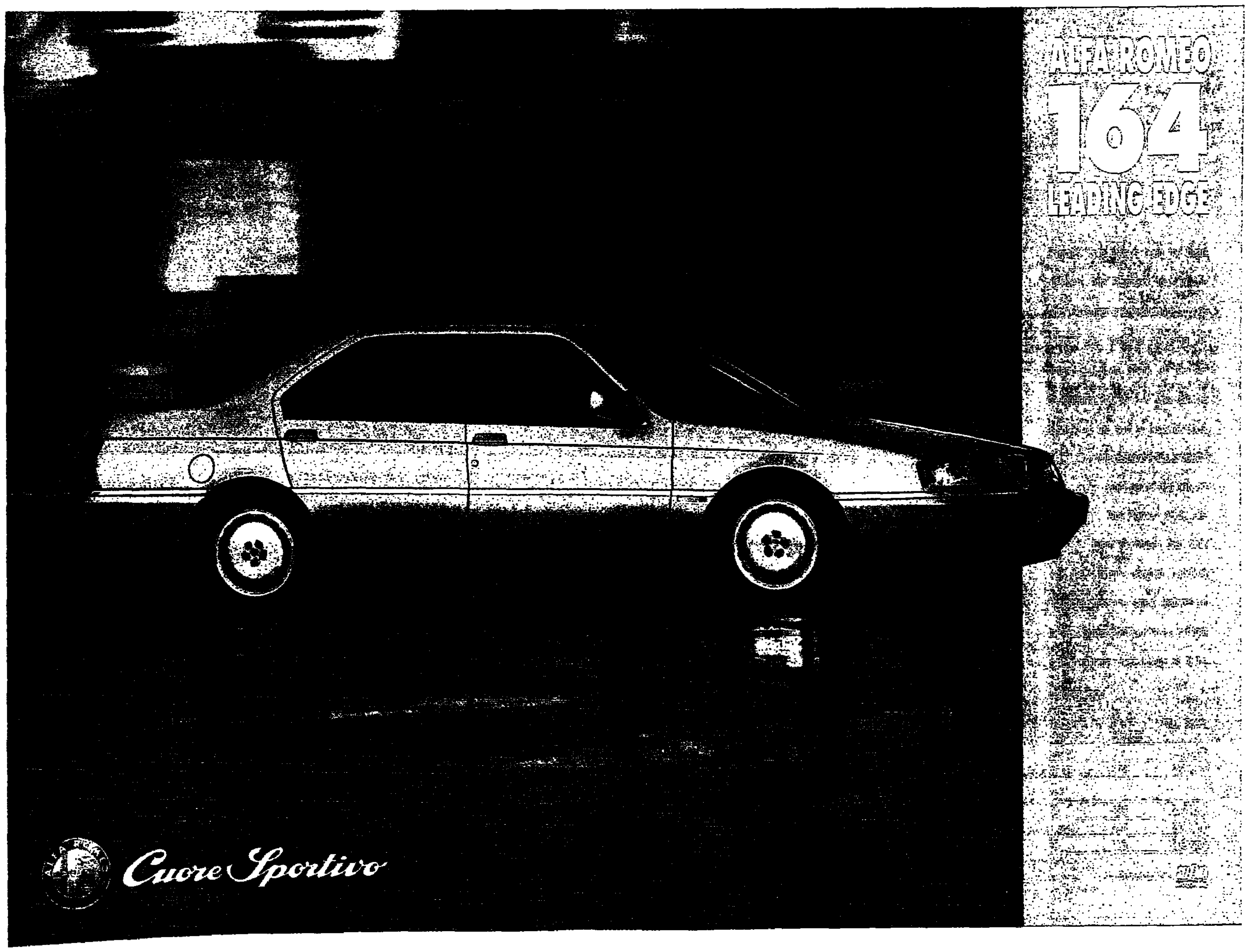
He takes the helm at Allders as it enjoys strong growth after its flotation. Pro-forma pre-tax profits for the half-year to March 31 increased from £9.9m to £11m.

■ Frank Reiss at FOREIGN & COLONIAL EMERGING MARKETS INVESTMENT TRUST.

■ Peter Lee, chairman of Carclo Engineering and Edward Pryor & Son, at SANDERSON ELECTRONICS.

■ John Langlands at ECLIPSE BLINDS, on resigning as finance director.

CONTRACTS & TENDERS



TECHNOLOGY

Putting people before machines

A new report looks at why 'good' IT systems fail, says Joia Shillingford

Many "good" information technology systems fail because technical issues are put first and human and organisational issues second.

This is one of the findings of a report* to be published this month by London consultants Pagoda. Other common causes of failure, according to the report, include projects where:

- The hoped-for benefits are too narrow and insufficiently tied to business strategy;
- The benefits are not communicated to staff so they try to adapt new systems to old ways of working;
- The benefits are too broad, insufficiently prioritised and may even conflict.

Pagoda's conclusions are based on reviewing the experience of 100 organisations and on 30 in-depth interviews with big users of IT. Judith Wainwright, a director of Pagoda, argues that the critical success factor in implementing systems is the way the human and organisational issues are planned; the technology is secondary.

She gives several reasons. First, IT systems are now so central to an organisation's function that their effect is felt by most employees and, increasingly, by customers. Second, there are fewer technical constraints than there used to be. Third, more managers are using computers than before. They cannot be coerced into using them, so unless they are convinced of the benefits of a system they will not use it.

However, linking human and technical goals is not easy. The report suggests that companies introducing new systems should at the same time consider all other aspects of the business that are likely to be affected by the change. This could include technology, business processes, organisational structures, job design, staff attitudes and skills.

All should be treated within a single project plan because decisions taken in one area will inevitably affect other areas.

Wainwright believes large projects involving change should be run by a line manager with a senior member of staff, such as a director, backing them up. Commitment and input to the project among the staff can be gained by involving them in the choice and definition of the system.

Users should also work closely with prototype systems – partly-built versions that staff can experiment on – helping to shape them. This approach works better than basing systems on early, detailed specifications because non-technical staff are often not good at visualising what the promised system will look like. Then, when it arrives, they find it is not what they wanted.

Getting users to participate in systems design takes longer but is more likely to yield benefits in the long term. But "even when planning and design have been good, poor implementation can still make a system fail", warns Wainwright. "Implementation budgets and timescales are usually the first to be cut. Operational and systems managers often give in to political pressure to bring forward implementation because they feel that by then the real work has been done," she says.

"This reflects the common view that with IT change projects, you plug in the system and the benefits flow – whereas wider changes are usually involved."

The study advises companies introducing IT to keep their staff involved and to communicate with them at all stages. Training afterwards is also important.

According to the report, users like to discuss projects with their managers and any staff who have experienced similar change.

Wainwright believes that a participative approach reduces the risk of start-up problems and of project failure because human and organisational factors are the greatest source of risk. Participative approaches to systems change are most commonly found in factory automation projects, according to the study, where IT makes a small but important contribution.

**Why "Good" Systems Fail, available from Pagoda. Tel 071 497 2280 later this month.*

A new field of exploration

The oil industry could be revolutionised by a software standards project in Houston, writes Robert Corzine

The half-a-dozen Texas oil men and computer industry executives sitting round a boardroom table in Houston last week bore little resemblance to die-hard revolutionaries.

Sipping soft drinks, their demeanour was more that of correct corporate citizens. But their rhetoric revealed a true believer's commitment to nothing less than the wholesale destruction of the current structure of the world oil industry.

Their chosen weapon is a new set of software operating standards being developed by the Houston-based Petrotechnical Open Software Corporation (Posc), a non-profit organisation set up in 1990 by British Petroleum, Chevron, Mobil and Texaco of the US and Elf Aquitaine of France, five of the world's biggest international oil companies.

If implemented, the standards should ease the growing problem of data management and incompatible computer communication systems within one of the world's most technologically-intensive industries. And that could lead to early cost reductions in the "upstream" exploration and production end of the oil and gas business.

But the real power of the new standards is that they would enable companies to break down the barriers that have been built up over decades between the various technical and scientific disciplines involved in oil and gas exploration.

Posc technology can be "a destroyer of current organisations", according to Larry Gehagen, a BP executive seconded to the corporation. He believes that adoption of an industry-wide computing standard will be as important to oil companies as the adoption of a common gauge for track was to US railways in the last century.

The result, he predicts, will be a radical restructuring of oil companies, with whole layers of bureaucracy being abolished. It could also usher in the era of the "virtual oil company", in which small teams of specialists located around the world exchange complex geological and scientific data in near real time via information superhighways.

That prospect, according to a Posc executive, caused one Alaskan oil man to note recently that: "If this thing really works, one man and his dog could develop an oil field. And you might not even need the dog."

Several of the large computer groups and software suppliers such as IBM, Digital and Hewlett-Packard, are co-operating with the Posc project, along with government agencies such as the Department of Trade and Industry in the UK and the Norwegian Petroleum Directorate.

The need for a unified data and computer communication model for the exploration and production industry has long been recognised, according to Posc supporters. But attempts by companies, even the largest ones such as Exxon, to integrate the various technical functions failed because of the high costs involved.

The scale of the problem has been exacerbated in recent years as exploration and production companies experienced an explosion of data from new seismic and other scientific techniques which have been developed.

The current structure of most oil companies has also proved to be a problem. At present, most are divided into functional departments, such as geology, petrophysics and reservoir engineering, a structure which industry executives say tends to reinforce existing cultural differences between the groups. Traditionally, these departments have operated in relative isolation, and over the years they have tended to acquire unique solutions to their technical problems, both in terms of computer hardware and software.

The result, according to Posc executives, is that information held

> **'One man and his dog could develop an oil field. And you might not even need the dog'**

by one department is often inaccessible by, or unknown to, another. In addition, the inability of the departments to share information without reformatting it to different standards has reinforced a linear corporate structure. And that has made it difficult to put in place the inter-disciplinary teams that many industry executives believe are the most effective way to organise the industry.

Gehagen notes that the poor standard of data management within the industry can have expensive consequences. One company recently mobilised its resources for an urgent seismic survey in a portion of the Gulf of Mexico in advance of a US government auction of oil leases. At the last minute one member of staff remembered that some years before the company had not only conducted a seismic survey of the area, but had also drilled some inconclusive wells before handing it back to the government.

"Eighty per cent of data held by oil companies is historical and static," according to Gehagen. Only 20 per cent is generally in current use, with an even smaller amount considered as secret, commercially strategic information.

Even so, many companies jealously guard it, although a large number "don't know what they have or can't find it" when they need it. All too often the result is that geologists and other professionals can spend up to 60-70 per cent of their time searching for information rather than using their skills to analyse it.

One of Posc's main aims is to create standards that make consistent the way in which the industry stores information so that it can can be used more effectively.

Handing over the management of such technical data to an outside company which could put it in a Posc-compatible format would save millions of dollars a year for most oil companies, says Gehagen.

The development of such large-scale databases open to the industry would also free the various experts within the oil companies to spend the bulk of their time doing their job rather than tracking down data.

The opportunity to transfer data easily between disciplines could also result in large cost savings. A recent pilot project in the US estimated that the time taken to drill a new well in an existing oil field could be halved if all disciplines were working to a common data model.

"Exploration and production companies continuously adopt new computing technology," says Bill Bartz, Posc's president. "If they proceed without the benefit of standards, they risk incurring unnecessary costs and experiencing critical delays in implementation."

It is that element of Posc technology that could propel oil companies into a radically different future. Most have launched extensive restructuring programmes to save costs in an era of relatively low oil prices. But they "have slashed and burned without fundamental changes in their business structures," says Gehagen.

He believes that adoption of Posc standards would enable executives to make the best use of the team structure now being promoted by many companies. "People around the world could be much more productive if they were working with the same underlying system."

The adoption of Posc would also have a big impact on information technology companies, which advise companies on how to implement such far-reaching changes, and on the software houses that supply the industry.

The first software products designed to the new standards will begin appearing next year, although industry experts expect it could take three to five years to fully change over.

ARTS

A firm commitment to abstraction

William Packer admires the work of Barbara Hepworth at the Liverpool Tate Gallery

There was a time when the names of Barbara Hepworth and Henry Moore were run automatically together, as the joint-pioneers and life-long protagonists in the modern phase of British sculpture. The claim was never entirely true, the creature more of the art and critical politics of the 1930s, with Herbert Read and Adrian Stokes the great revisionists, than the more complex realities of the 1920s. But it served well enough in its time, and it especially suited Henry Moore's own driven and temperamental need to be recognised as pre-eminent in the field.

I once had the evidence direct from the great man himself, having gone to see him late in 1976 to talk about sculpture in Britain in the 1930s and '40s. The conversation turned inevitably to Barbara Hepworth and the nature of whatever contribution she had made. "Ah: Barbara", he said. "You know, I taught her everything she knew."

Whether or not he really did believe so, we can never know. I rather think he did, though as to why we can only speculate. There he was, enjoying in his late 70s the final spectacular confirmation and celebration of his life's achievement: and there was she, dead only the year before, and her reputation qualified by the uncertain work of her last years, when her health was failing and spirits low. And this was the pretty slip of a girl, some five years his junior, whom he found a year ahead of him at Leeds College of Art when he came back from the war, and who went on before him to the Sculpture School of the Royal College and won the travelling scholarship to Italy before he did.

But whatever his reasonings or feelings might have been, it most certainly was not true. What is true is that for a few crucial years around 1930, a time critical for each of them as they sought to establish themselves in their careers, the ambiguous and perhaps competitive relationship they had enjoyed as students was transformed into one of close and mutual professional stimulation and support. There they were in neighbouring studios in Belsize Park. The Moores were newly-married, and she then was with John Skeaping, another sculptor whom she had married in Italy; but they separated in 1931, after which her second husband, the painter Ben Nicholson, moved in.

And again with Nicholson, the easy assumption is that it was he too, in that creative *ménage à trois*, who led her to her own commitment to abstraction. But Nicholson, some decorative abstract exercises in 1924 apart, would not turn to formal abstraction as such until 1933. As for Moore, he was making some severely abstracted and surreal carvings by 1931, but they retained nevertheless a figurative connotation, and it was not until 1933 and even later that he made any sustained commitment to purely formal abstraction. Even then, as he openly declared, the complete abandonment of an organic or figurative reference was not for him.

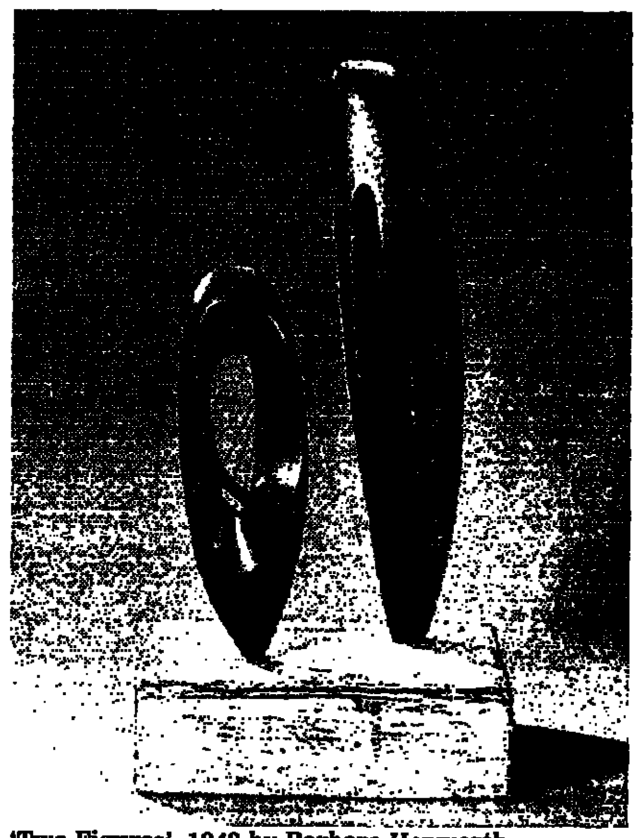
With Barbara Hepworth, the transition from figuration into abstraction was more or less in step with Moore's, neither leading nor following. Both, in the 1920s, had drawn upon primitive and ancient examples, he from Mexican, she from Egyptian carving especially, and both were now looking closely at contemporary surrealism and constructivism, and of course at each other. But with Barbara the commitment to abstraction, when it came, was characterised by none of the other's equivocation and self-doubt. And though she would return from time to time to a figurative reference, that essential commitment to a pure and formal abstraction would sustain her all her life.

Ironically, it was her first husband, Skeaping, who in his own work withdrew from the avant-gardism of the 1920s into a safer academicism, who had had the most direct influence upon her, from their years together at the British School at Rome. That influence was technical, for he was a consummately skilful carver. It is upon her own extraordinary refinement and originality as a carver that her reputation finally rests.

This exhibition has been beautifully chosen and installed, rightly laying the emphasis upon her work on that human and domestic scale, at which the artist's hand is most directly engaged with image and material together. She was capable of working successfully at a monumental scale – her "Family of Man" is currently splendidly set out on the hillside at the Yorkshire Sculpture Park – but in this, in her later years especially, and in her modelling rather than her carving, she often seemed to lose her way.

Now the record is put straight and it is as a carver of unique sensibility and true originality, breaking open the form and reaching into the spaces within, that we properly celebrate her. Most of all we celebrate the radical achievement of that first transition to abstraction, that is set out so clearly in the first few rooms of this important exhibition.

Barbara Hepworth - A Retrospective: Tate Gallery Liverpool, Albert Dock, Liverpool, until December 4, then on to Yale and Toronto: sponsored by Manchester Airport and supported by the Henry Moore Foundation.



'Two Figures', 1943 by Barbara Hepworth

Scene from Bill Bryden's production in the Harland & Wolff Shed in Glasgow — Nobby Clark

Theatre/**Alastair Macaulay**

'The Big Picnic' in a battlefield

Bill Bryden's latest epic extravaganza, *The Big Picnic*, concerns a bunch of Scotsmen fighting in the First World War. It has several visual wow effects, of which the main one is that the audience moves (part of it is moved on a vast galley lined with seats) from the "Glasgow" end of the huge Harland & Wolff Engine Shed (in Govan, Glasgow), to the "trench" area in the middle (real trenches dug amid six or more feet of surrounding earth and mud), and so into the final waste land of the battlefield itself, pitted and baked. And it is accompanied by music of several kinds.

There are no great surprises for those of us who have heard even a little about the Great War. We are taken through the horror of innocent young men being killed or transformed by warfare; and we see famous events such as Germans and British exchanging cigarettes and playing football on Christmas Day. Also (see below) the Angel of Mons. Some of these incidents are presented sharply enough to prompt me and other audience members to laughter or tears.

But elsewhere to yawns. For *The Big Picnic* keeps us in the Shed for almost four hours. And it is woefully underscripted. (Bryden himself is author and director.) It is astounding how often ordinary sentences or phrases are repeated to no good purpose. "That was the devil's work," says Hughie Frizell ponderously, "the devil's work, 'cos it was murder, murder." "You always know," says Norrie Beaton lugubriously, "you always know." Pause. "You always know." Thin, thin. Thin. Also slow, slow. Slow. And heavily amplified, so that voices usually emanate from nowhere near the actors and a heavy echo follows every utterance.

The next problem is John Tams's music. I do not care to hear scenes of death and battle in the Great War accompanied by sub-Elton-John songs, and I think blasts of electric guitar and drumming are a cheap way to suggest gunfire. There is some visual excitement in the way this muzak is played, high above the action, by a group of musicians and singers on a galley which also moves from end to end of the action. The vocalists sing mainly slow folksy numbers in folksy style (i.e. flat), but the worst element is the percussion, which adds an appalling monotony to everything it joins.

Much better are the songs, dances and music played and performed by the performers. In general, the performances are fine, and would be much better if encouraged to move at twice the speed. Jimmy Logan is Colours, who turns this bunch of volunteers into soldiers; Iain MacColl is the dour Gus Adams, who becomes the toughest fighter of them all; Stuart Bowman plays the half-reluctant young warrior Russell Enoch; Derek Riddell is the more mercurial Norrie Beaton. Morag Hood and Juliet Cadzow lead the female contingent in a variety of roles.

Oh, yes, the Angel of Mons. After *Angels in America* I have grown so used to seeing angels that I feel like Joan of Arc. This one, however, is the worst to date. With deep red hair, she hangs, usually upside down, from the musicians' gallery – a cumbersome sensational effect trundled out for the same symbolic effect time and time again. Her most spectacular effect is to pick up a corpse and to bear him in her arms, as she hangs in the air, until she passes out of sight. You just watch and pray she never drops the poor blighter.

Show me a group of bright young Scotsmen going to their deaths, show me them sharing cigarettes with the enemy on Christmas Day, and I blink back tears as fast as the next person. Travel me from the Glasgow Docks to the uneven terrain of the battlefields and trenches and I too am astounded. (William Dudley's design is altogether the evening's highlight.) But there is an awkward mix of sentimentality and sensationalism about all this. We watch these young Scotsmen face the prospect of their possible deaths – and then, ghoulishly, we zoom along to see, from ringside seats, whether they indeed live or die. *Meanwhile* drums and cymbals thwack out a 4/4 beat in the air above our heads.

At the Harland & Wolff Engine Shed, Govan, Glasgow, until October 30.

The Royal Philharmonic woos a youthful audience to the Albert Hall

The Royal Philharmonic Orchestra has formed a partnership with the Royal Albert Hall which makes the RPO the "house" orchestra of the hall, performing there ten times in the 1995-96 season with the expectation of 40 appearances during 1997-98.

Next season's concerts are certain to go ahead but the greater commitment, with the RPO playing roughly once a week between October and May, depends upon raising £500,000, which will mainly be spent on marketing the link and building up an audience.

The RPO hopes that the Arts Council and Westminster City Council will contribute towards the investment needed. The plan is that the seats in the Arena, where the Promenaders stand during the BBC's summer Proms, will be priced at just £4 to attract a similarly youthful audience. If public money is not forthcoming the RPO and the RAH will look for a corporate sponsor.

A "home" at the Royal Albert Hall will mark a remarkable resurgence for the RPO, which was threatened with the loss of all its subsidy a year ago when the Arts Council, unsuccessfully, attempted to stop funding two leading orchestras. In the event the RPO received a grant of only £300,000 from the Council for 1994-95, less than 5 per cent of its turnover.

The RPO has since signed a sponsorship deal with Classic fm; embarked on a major recording contract with Tring Records; and forged a residency in Nottingham. The RPO would bring classical music to the RAH on a regular basis outside the summer Prom season, nicely fulfilling the ambition of Patrick Deuchar, chief executive of the Hall, to present a more structured programme.

The orchestra would provide a range of music but concentrate on choral and the great romantic classics, which suit the size of a hall with 5,000 seats, of which 3,500 are available to the public.

The RPO link with the RAH fits neatly into Arts Council policy of marrying orchestras to halls. The LSO resides at the Barbican and the LPO and the Philharmonia are house orchestras at the South Bank.

Antony Thorncroft

Music in London/**David Murray**

A cappella prowess and uninspired Mahler

St. John's, Smith Square was unusually well filled on Friday for music of the past half century; for the BBC Singers were celebrating their 70th anniversary. Not to be confused with the much larger BBC Symphony Chorus, who are stalwart amateurs, the 24 Singers are professionals of great technical prowess. This virtuoso anniversary programme, all *a cappella*, showed them off brilliantly.

It included not only two treasures of the repertoire which they themselves premiered, Britten's *Hymn to St. Cecilia* and Poulenc's war-time *Figure humaine*, but a new commission from Iannis Xenakis. *Sea Nymphs* is a fractured setting of Ariel's "Full fathom five": these are plainly Cubist nymphs, voices arranged in spiky tone-clusters, extraordinarily difficult to pitch. (Each singer consulted his or her own tuning fork assiduously.) As a collective feat, it was fascinating; at later performances it may even begin to sound like fun.

Britten's twinkling *Hymn* could not have been feater nor more charming. The splendid eight-section *Figure humaine*, a wartime plea for the Liberation, needed only more fluent French in the quickest passages. Messiaen's *Cinq Rechants*, an old BBC Singers favourite, was all colour and sexy vitality, and in Ligeti's Three Fantasies the solo entries were as poised and telling as the rich, aqueous choral textures (tone-clusters again, but succulent ones). The conductor was Simon Joly, who seems able to inspire the Singers to practically anything.

It would be hard to claim that Giuseppe Sinopoli has inspired the Philharmonia much in the several years he has spent with them. The trouble has not been with the orchestra. Even now Sinopoli's left hand has scarcely any functional independence from his right, which is not very expressive either; to weed out clotted textures, he needs recording engineers.

Sunday's Royal Festival Hall concert was fairly typical. Edita Gruberova was originally billed to deliver several Strauss songs before the main work, Mahler's Fourth Symphony; but her place was taken by Angela Maria Blasi, who brought just three songs (stylishly turned, though "Morgen" was over-slow and "Zueignung" over-quick). Thus we got *Don Juan* as a Sinopoli extra: loud and puppy-eager, much of it an undifferentiated welter of sound through which only the leading voices penetrated. For brief moments one heard the Philharmonia's admirable first-desks doing their best.

The Mahler Fourth was friendly, well-meant, by turns under-pointed and too heavily emphasis-ridden. The slow movement was at least heartfelt, though the sudden radiant outburst near the end sounded ordinary. It took Miss Blasi to bring the performance to real, musical life with the child's-vision Finale, in which her knowing tact and her pleasing mezzo-ish timbre were lovely to hear.

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

Muziektheater Tonight, tomorrow (repeated Fri and Sat in The Hague): Dutch National Ballet in choreographies by Balanchine, Fernandez and Van Dantzig. Thurs, Sun afternoon: Hartmut Haenchen conducts David Pountney's production of Lady Macbeth of Mtsensk, with Eva-Maria Bundschuh and Willard White. Fri, Sat, next Tues: Nederlands Dans Theater in choreographies by Naharin and Kylian (020-625 5455)
Concertgebouw Thurs: Valery Gergiev conducts Kirov Opera Orchestra and Chorus in works by Glinka, Prokofiev and Shostakovich, with baritone soloist Sergei Alexasikin. Sat afternoon: Kees Bakels conducts Radio Symphony Orchestra and Chorus in Ives and Wagemans. Sun morning: Jean Fournet conducts Radio Philharmonic in Pierné, Pijper and Roussel, with piano soloist Ivo Janssen. Sun evening: Paco Pena and Group, with Chorus of Academy of St Martin in the Fields, in Pena's Misa Flamenca. Next Tues: Jessye Norman (24-hour information service 020-675 4411 ticket reservations 020-671 8345)

■ BASLE

Stadtcasino Tomorrow, Thurs: Walter Weller conducts Basle Symphony Orchestra in works by Strauss and Bruckner, with soprano Gabriele Lechner (061-272 1176)

■ BRUSSELS

Palais des Beaux Arts Yuri Simonov conducts tonight's concert by the Belgian National Orchestra, featuring works by Glinka, Prokofiev, Haydn and Mozart,
with violin soloist Dmitri Sitkovetsky.
Gerd Albrecht
conducts the Czech Philharmonic and Chorus in a Dvořák programme on Thurs. Brussels Choral Society takes part in a Russian symphonic programme on Fri. Jessye Norman gives a song recital on Sat (02-507 8200)
Monnaie The next production is Achim Freyer's new staging of Tristan und Isolde, opening on Oct 1 with a cast headed by Anne Evans and Ronald Hamilton (02-218 1211)
Théâtre National The season opens on Sep 27 with the Belgian premiere of the first part of Tony Kushner's Angels in America (02-217 0303)

■ CHICAGO

MUSIC
Lyric Opera The first production of the season is Boris Godunov, staged by Stein Winge and conducted by Bruno Bartoletti, with Samuel Ramey in the title role (next performances tonight and Fri). Vladimir Matorin takes over the title role for some performances early next month (312-332 2244)
Chicago Symphony Daniel Barenboim conducts a choral programme tonight and next Tues, including Bruckner's setting of Psalm 150 and the Beethoven Choral Fantasy. Itzhak Perlman is soloist in Stravinsky's Violin Concerto on Thurs, Fri and Sat (312-435 6666)
THEATRE
● Laughter on the 23rd Floor: Neil Simon's newest comedy, about the golden days of live TV comedy, opens tomorrow at Briar Street Theater (312-348 4000)
● Later Life: A.R. Gurney's lovely, ruminative play about finding romance after the age of 40 opens tomorrow at Northlight Theater (312-327 5588)
● A Clockwork Orange: Steppenwolf Theater gives the American premiere of the stage version of Anthony Burgess' classic novel. Now in previews, opens Sep 27 (312-335 1650)
● Angels in America: Tony Kushner's two-part epic has opened for an extended run at the Royal George Theater, directed by Michael Mayer and featuring Jonathan Hadary as Roy Cohn (312-988 9000)

■ GENEVA

Grand Théâtre The opening production of the season is Idomeneo, conducted by Armin Jordan and staged by Christopher Alden, with a cast headed by Johan Botha, Paul Groves and Solveig Kringelborn. Final performances tonight, Fri, next Mon and Wed (022-311 2311)
Victoria Hall The Suisse Romande Orchestra opens its new season of concerts next Tues with a programme featuring Anne Sofie von Otter and Gösta Winbergh as soloists in Mahler's Das Lied von der Erde – repeated on Sep 29 in Lausanne and Sep 30 in Geneva (022-311 2511)
Théâtre de Carouge St Petersburg's Tovstonogov Theatre presents a two-week run of Ostrovsky's Diary of a Scoundrel, opening on Oct 1 (022-343 4343)

■ UTRECHT

Vredenburg Tonight: Vassili Sinaiski conducts Netherlands Philharmonic Orchestra in Rakhmaninov's Third Piano Concerto (Shura Cherkassky) and Prokofiev's Fifth Symphony. Tomorrow: Paco Pena and Group, with Chorus of Academy of St Martin in the Fields, in Pena's Misa Flamenca. Sat: Jean Fournet conducts Radio Philharmonic Orchestra and Chorus in Massenet, Pijper, Debussy and Roussel. Sun: Ed Spanjaard conducts Radio Chamber Orchestra in Ravel, Bosmans and Frank Martin (030-314544)

■ VIENNA

● Semyon Bychkov conducts the Orchestre de Paris at the Musikverein on Sat and Sun. The programme on both nights consists of works by Berlioz and Dutilleux. The next concerts are on Oct 2 and 3, when Jukka-Pekka Saraste conducts the Finnish Radio Symphony Orchestra. The Vienna Symphony Orchestra's season begins on Oct 5 (505 8190)
● A new State Opera Ballet based on Lehar's Die lustige Witwe, with choreography by Ronald Hynd, can be seen at the Volksoper, where the repertory also includes German-language performances of Nabucco and Gianni Schicchi. The State Opera is closed for technical alterations till Dec 14 (51444 2959/ 51444 2969/513 1513)
● Repertory at the Akademietheater includes Wolfgang Engel's new production of Shakespeare's Titus Andronicus. The Burgtheater has Chekhov's Three Sisters and plays by Franz Molnar, Thomas Bernhard and Peter Handke (51444 2218)

■ WASHINGTON

MUSIC
● Neil Sedaka joins the National Symphony Orchestra Pops on Fri and Sat at Kennedy Center Concert Hall. Valery Gergiev conducts the Kirov Opera Orchestra in a Russian programme on Sun afternoon, with piano soloist Alexander Toradze (202-467 4600)
● David Zinman conducts the Baltimore Symphony Orchestra on Thurs and Fri at Baltimore's Joseph Meyerhoff Symphony Hall. The programme consists of Brahms' Second Piano Concerto (Nelson Freire) and Ives' Holidays Symphony (410-783 8000)
THEATRE
● Flyin' West: this play about courage and frontier justice in late 19th-century America, produced by New Jersey's acclaimed Crossroads Theatre, runs till Oct 9 at the Eisenhower Theater (202-467 4600)
● A Perfect Ganesh: Terrence McNally's play, about two New England matrons on a personal quest as they journey through India, runs till Oct 30 at the Kreeger (202-488 3300)
● The Rise and Fall of Little Voice: Jim Cartwright's play, about a young girl with the ability to mimic pop female vocalists, runs till Oct 9 at Studio Theater (202-332 3300)
● Into the Woods: Signature Theater's highly successful run of Stephen Sondheim's musical has been extended till mid-Oct (703-820 9771)

■ ZURICH

Opernhaus Tonight, Thurs, Sat: Adam Fischer conducts Cesare Lievi's new production of La Cenerentola, with cast headed by Cecilia Bartoli. Tomorrow: Tosca with Mara Zampieri, Neil Shicoff and Giorgio Zancanaro. Fri, Sun afternoon: choreographies by Bernd Bienert, music by Mozart. Sun evening: Die Zauberflöte (01-262 0909)
Tonhalle Tomorrow: Paul Taylor conducts Tonhalle Orchestra in works by Copland and Bernstein, with vocal soloists.
Thurs: Brodsky Quartet plays works by Bartók, Stravinsky, Peter Sculthorpe and others. Fri: Edmond de Stoutz conducts Zurich Chamber Orchestra in Handel, Mendelssohn and Mozart, with violin soloist Liana Issakadse. Next Tues: first of eight concerts featuring James Galway as flute soloist (01-261 1600)

ARTS GUIDE

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Friday: Exhibitions Guide.

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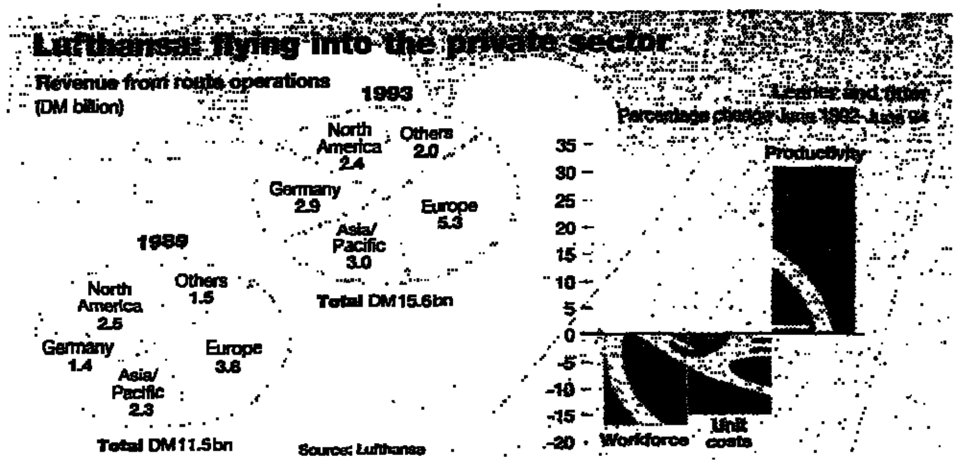

Ready for take-off

Christopher Parkes on the share issue by Germany's Lufthansa

The crane, emblem of Germany's flag-carrying Lufthansa airline, was passed over by the nature protection league as "Bird of the Year, 1994". Instead, it chose the threatened white stork, harbinger of luck, health and prosperity.

Investment analysts, on the other hand, are virtually unanimous this year in hailing Lufthansa as a success story. They pay tribute to its rapid restoration to viability in the three years since Mr Jürgen Weber was installed as chairman.

Today the airline will set the seal on this change in its fortunes when subscriptions open for a rights issue and government share sale to raise an urgently-needed DM1.7bn to restore the group's eroded capital base.

Lufthansa's return to favour is a recent phenomonenon. Scepticism still abounded as recently as 12 months ago, even though the government had just negotiated renewal of the restrictive post-war US-German air traffic agreement.

This opened up swathes of previously inaccessible air space to be exploited by a new co-operative venture between Lufthansa and United Airlines. But with no sign of any substantial easing in competition on transatlantic routes, and the lack of binding ties such as cross-shareholdings between the two lines, the deals were welcomed only coolly.

The mood changed in May when the last hurdle to privatisation was dismantled by an agreement disentangling Lufthansa's pensions from the civil service scheme.

The deal, in which the DM4bn cost of bolstering the airline's pension fund was split between government and airline, opened the way for the current rights issue. The issue was launched in Frankfurt last week at a ceremonial preview, to the accompaniment of management forecasts that annual profits would improve by up to DM700m within three years.

By virtue of Bonn's decision not to exercise its rights and to sell some of its stock, the issue will dilute its majority stake to around 35 per cent. More disposals will follow, although Bonn has yet to make clear how far it is prepared reduce its stake.

In fact Lufthansa has been run as a *de facto* private enterprise since Mr Weber took over as chairman in September 1991. In that time he has done much to cut costs and inject flexibility into the airline.

Like other top German companies, Lufthansa entered the 1990s laden down with an oversized fleet and workforce, and hobbled by a grid-locked bureaucracy which stretched from the boardroom to the check-in desk.

Misplaced optimism over the prospects offered by the purported completion of the single European market on January 1 1992, had tempted the board into an unprecedented spending spree.

In the three years to the end of 1991, it added 120 aircraft to its fleet, spending some DM8bn on the way, and building net debt up to DM6bn. As was to emerge shortly after Mr Weber took over in September of that year, the airline had made its first net loss – of DM426m – in 20 years. As Mr Weber was to admit for the first time publicly last week, Lufthansa's existence was threatened.

As a first step, he announced a 10 per cent cut in the workforce for 1992 and 1993. Since the programme started biting in mid-1992, the payroll has been slimmed by 17 per cent, unit costs have been cut 25 per cent, and productivity has soared 31 per cent.

Even though average Lufthansa salaries were last year still more than 20 per cent higher than those at arch-rival, British Airways, analysts have been impressed by the scale and speed of the turn-round, and compare recent developments with the 37 per cent rise in payroll costs between 1989 and 1992 when productivity increased by a mere 7 per cent.

Reviewing the new management's performance so far, observers have concluded that restructuring and the concurrent building up of Lufthansa's inherent strengths in freight and far-east traffic leave it well-placed to benefit from the revival in the industry's fortunes.

The group's cargo business, reinforced by a 25 per cent stake in DHL, for example, has been an early beneficiary of the international economic recovery. Cargo haulage is estimated to have risen around 20 per cent so far this year, when measured in cargo tonne kilometres (CTKs), and yields have risen an estimated 4 per cent.

Lufthansa's newly introduced twice-weekly service to Shanghai, supplementing its Beijing flights, and its stake in the Beijing-based aircraft maintenance joint venture, Amerco, give it a strong position in one of the fastest growing markets in the world.

Even the north Atlantic routes, where the group's business has shrunk from 22 per cent of total revenue from route operations in 1989 to 15 per cent in 1993, were already showing improvement last year when the passenger load factor rose from 72 per cent to more than 76 per cent.

In its home base, Europe, which still accounts for 50 per cent of operational turnover (19 per cent in Germany) low cost-base operations such as Lufthansa Express and the regional Cityline are winning it market share. Passenger load factor was 58 per cent last year, compared with around 51 per cent in 1992.

At the same time, the economic recovery is helping bolster bookings of premium-priced seats. Although no regional breakdown is available, Lufthansa's first- and business-class bookings in the six months to June rose to 40.2 per cent of the total compared with 38.7 per cent in 1993.

While passengers may be prepared to spend more on their comfort in transit, the story within Lufthansa has been one of continued economies. But the greatest luxury to be sacrificed was the illusion that the group could sit tight in its high-cost German base and do everything as in the past – by itself.

Deal after deal has been struck to widen and deepen Lufthansa's reach in the international market. Holdings have been built in Austria's Lauda Air and Luxembourg's Luxair. Co-operative links were forged with Varig of Brazil.

A 25 per cent holding in Sky Chef of the US fattened the catering division. Collaboration in a freight hub at Sharjah in the Gulf has been followed by negotiations for a similar distribution base in Indonesia, further to extend the group's reach in the fast growing far eastern market. Now, together with information and systems, Lufthansa's maintenance and cargo operations are to be spun off as free-standing businesses.

Functioning as profit centres in their own right, along with the Condor tourism line and catering, they will provide services at market-competititve prices both to the parent and outside customers. In a global air traffic market forecast to grow by an average 4-5 per cent a year for the foreseeable future, Lufthansa has a chance to test its entrepreneurial wings.

Joe Rogaly

Political chaos theory

Chaos theory is fundamental to an understanding of science, and chic among economists and investment managers, but to learned students of politics like you and me it is old hat. We have always understood that a surprise may hit us in the face at any moment, that nobody knows what is going to happen, and that each event bounces off the other with a cumulative effect that on one equation is constructive, on another destructive. So be warned. We cannot be certain of the outcome of tomorrow's election in Denmark – although, if we are British, we may be envious of the choice of parties.

Those of us who have mastered the finer intricacies of chaos theory know that when applied to politics, positive feedback does not always occur. Perhaps the most unexpected Danish politician of the post-1945 era was Mr Mogens Glistrup, who established his Progress Party in 1972 on the principle of cutting income tax. It briefly became the second largest party in the Folketing, their parliament. Unfortunately, it appeared that Mr Glistrup did not rely on the democratic process to reduce his bill. In 1983 he was sent to jail for three years for tax fraud. This was more than the beating of a butterfly's wing in Tokyo. It was world fame. A fat lot of good it did. Today Danes pay the highest share of national income in taxation of any country in the Organisation for Economic Co-operation and Development.

Chaos moves in mysterious ways. For example, Italy may have been hit by negative feedback. In April 1993, on a high turnout, four-fifths of the electorate signified approval of a change to the law on voting. The old, corrupt, party list system was cast aside. In future three-quarters of senators and deputies would be chosen by first-past-the-post and the rest elected on new, simon-pure party lists. Excitement ran high. Strong government would surely follow reform. A year later the first ballot held under the new rules produced a shaky coalition. Mr Silvio Berlusconi's hastily-established party, Forza Italia, promised change, but it has not yet delivered much. Italy's proponents of national renewal are understandably disappointed. Mr Berlusconi may be an admirer of Lady Thatcher, but he does not command the overwhelming, and stable, majority in Italy's parliament that the former prime minister enjoyed in Britain.

The current talk of whether the Lib-Dems will give their favours to Labour or the Conservatives is a mere fancy

Many other examples lie in the database, including the intervention of Mr Ross Perot in the 1992 presidential election in the US and the unscripted victory of Mr John Major in the British contest of the same year. You will, however, have taken my point. So, I assume, will Mr Paddy Ashdown. The leader of Britain's Liberal Democrats can only keep his countenance as cheerful as he does by telling himself that one day something unexpected and positive will turn up. Then his party, created by him almost single-handedly out of the ashes of the Liberal and Social Democratic alliance, will have an assured role to play in national politics.

To appreciate his predicament you need to step back a bit. The ancient and venerable Liberal party was virtually obliterated in the 1945 election that swept Labour to power in a landslide. In subsequent years, first under the then Mr Jo Grimond and later under the now written-out Mr Jeremy Thorpe, the lynchpin of Liberal strategy was the notion of the long march. Slowly, steadily, election by election, the party of Gladstone would regain its former glory. It may take a generation, or perhaps two, but that was the goal. A generation passed by. Little distance was gained. The footsloggers became dispirited. Under Mr David Steel's leadership a new strategy was adopted. Liberals were to be the pluralist party, willing to co-operate with others. If one of the two large parties would only be kind enough to introduce proportional representation, deals could be cut. This formula looked likely to become a winner when the alliance was high in the opinion polls in the mid-1980s. Alas, something, possibly a butterfly-wing, intervened. The alliance crashed.

Mr Ashdown's initial task, when he surveyed the ruins in 1989, was clear. He had to rebuild. He has done so: the Lib-Dems are a long march ahead in local politics. As to national representation, they have half-a-dozen taxifuls of MPs and a position of strength in Scotland and the West Country. Unfortunately for them chaos has hit them on the head once more. The Labour party, which the Liberals, the Alliance and the Lib-Dems were supposed to overtake and replace, is remaking itself. Mr Ashdown knows he would not be credible if he preached a return to the long march. He must be aware that while pluralism works in hung local councils, a hung parliament is no more likely to follow the next general election than it did the last.

That is why the current talk of whether the Lib-Dems will give their favours to Labour or the Tories, in return for no higher a payment than the rewriting of the British constitution, is a mere fancy. The expected outcome in 1996 or 1997 is a strong Labour victory; the second most likely is a repeat of the present parliament. Yet the statistically unexpected *could* happen. Labour, or its new leader, might turn out to be unmodernisable. The Lib-Dems would then gain a renewed meaning. Alternatively, Labour might win the most seats but not an overall majority. The people's party would then so depend on Lib-Dems support that it would be obliged to keep its promise to hold a referendum on proportional representation for the House of Commons. That could lead to an interesting twist up the chaos spiral. The Conservatives would oppose PR; Labour would be split, and Mr Ashdown might find himself fighting the referendum on his own.

The outcome would be up to Chaos's sister, Fate. In two referendums in 1992 and 1993 New Zealand's voters rejected the advice of the main national parties and introduced the German combination of single-member and proportional elections. The strongest influence on voters was their dislike of mainstream national politicians. Whatever the latter asked for, they did not get. It makes you think. The presently available evidence suggests that Mr Ashdown's only secure future is to lie on the Labour leader's lap and wag his tail. But you never know. A thunderbolt may strike...

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

The cold war will end only when Russia joins Nato

From Mr Boris G Fedorov.

Sir, After reading Judy Dempsey's report, "Moscow 'cannot join Nato'" (September 10/11), I could not help being worried by the remarks of Mr Volker Ruhe, Germany's minister of defence. If his opinion reflects general feelings in the west then the cold war is not finished. If he speaks like this in Moscow, most of our democrats and liberals will vote to increase military spending and the armed forces (beyond the current 2.1m soldiers).

If Russia is "different" and cannot be integrated then Nato (the EU is a different issue) will be enlarged and reinforced against Russia, which will then never feel secure – and naturally so. Why can we not be integrated? I have heard such bizarre arguments as "Russia is not European". Sorry, but look up the past 1,000 years of history and you will see we are more European than the US or Turkey. Yes, we are a big country with lots of problems but if we are incompatible please make clear by what criteria this is so – probably it will help us domestically. But don't let there be arrogance and short-sightedness – particularly from Berlin, which has been forced to host Russian armies three times in not so many centuries.

I am absolutely sure that global security will be strengthened only if Russia is integrated into Nato and our generals rub shoulders with their western colleagues. Only then will the cold war come to a real end. Do not forget that we have plenty of war hawks in Moscow and Mr Ruhe seems to be intent on helping them. I think that Nato itself has to be reformed, with US domination, which is no longer needed, scaled down and the widespread fears of a stronger Germany dissipated. Russia's membership will help achieve just that.

Finally, Russian democracy is still an ailing infant and sincere integration of Russia into the European and international community can help avoid any turning back – and disaster.

Boris Fedorov,
leader of Liberal-democratic union,
Duma,
Moscow, Russia

Excessive barriers in Euro car market

From Mr K E Ludvigsen.

Sir, In his report about the battle over the EU block exemption which governs car distribution in Europe ("The battle for the forecourt", September 16), Kevin Done makes much of the car price differences that are reported in Europe. In interpreting these findings we place special emphasis on consumer group Bureau Européen des Unions de Consommateurs' point that institutional barriers impeding cross-border purchases and registrations of cars are excessive in what should be a single market for cars. These must be removed, in combination with greater economic coherence between EU member states, before any form of price harmonisation can be contemplated. Certainly this is one area where new regulation must tread with care.

Done suggests that the current debate is determining "what rules will apply on the forecourt for the next 10 years". Our conclusion from a major study of the block exemption is that the car industry's distribution system in Europe has been under the most intense and detailed scrutiny for the last 9½ years. This should be long enough to evaluate a system of this kind. The industry and its many dealers and employees throughout Europe should not be subjected to similar uncertainties 10½ years from now. We recommend that the new regulation be put in place for a term as long as any block exemption the Commission has granted, namely for 14½ years.

K E Ludvigsen,
managing director,
Euromotor Reports,
73 Collier Street,
London N1 7JU

Repudiate milk quotas

From Mr Anthony Rosen.

Sir, The current expensive fiasco over milk prices was highlighted by Deborah Hargreaves ("Milk prices sour the cheesemakers", September 19), but the chaos can be placed firmly at the door of former minister of agriculture, Michael Jopling – aided and abetted by the short-sighted empire-building attitudes of both the Dairy Trade Federation and the Milk Marketing Board.

At the end of March 1986 Jopling, at half-past-three one morning, after a long tiring session with his European colleagues, agreed that milk quotas would be imposed throughout the European Union only 48 hours later.

For reasons never revealed Jopling agreed that the Dutch should be allowed a milk quota equivalent to 757 litres per head of their population, the Irish 1,508, while the British were to be cut back to only 258 litres per head – one third of the Dutch and one-sixth of the Irish. And the Italians? They have never imposed quotas upon their farmers and are now producing 12 per cent more than they did in 1984. We produce 15 per cent less.

Out of that basic mistake by Jopling has grown the current position whereby Britain's milk producers are only allowed to produce 80 per cent of the UK's milk requirements – the Irish produce 300 per cent of theirs.

The sooner Britain repudiates this grossly unfair quota restriction the better.

Anthony Rosen,
Feenix Farming,
Rosehill, Arford,
Headley, Hampshire GU35 8DF

Sovereignty at issue, not fisheries conservation

From Mr Mario Campora.

Sir, Your article "Falklands rivalry tests quick tempers" (August 30) accurately states that the south west Atlantic is one of the few regions in the world rich in fishing resources. However, its author does not present a complete picture of the issues involved in the area. Allow me to address those of greater relevance.

Argentina rejected the UK's extension of its alleged jurisdiction over undisputed waters north of the Malvinas Islands on grounds of their appurtenance to land territories subject to controversy, and because it had always exerted exclusive rights of sovereignty over those waters. The issue at stake has nothing to do with fisheries conservation but with sovereignty.

The Argentine government has developed an effective conservation and fisheries administration policy. The Argentine Navy has substantially increased its patrols in the Argentine economic exclusion zone, and provisions are being made to increase them further. At the same time, the National Institute of Fisheries Research enjoys greater financial and technological resources and produces state-of-the-art research in the subject.

In the case of Illex squid, it is worth recalling that between 1987 and 1992 Argentina captured less than a third of the totals fished in waters close to the Malvinas Islands.

The reference to the Argentine-EU agreement seems to be misleading since it only came into force on May 24 1994, and it has not yet been implemented.

Surely, the article in question would have benefited from further research on Argentine fisheries policy and from consultation with Argentine official sources.

Mario Campora,
ambassador,
Embassy of the Argentine Republic,
53 Hans Place,
London SW1X 0LA

The right political correctness

From Ms Veronica Stebbing.

Sir, Stuart Bentley ("From sexual simile to sexual crime", September 7), should take pause for thought. For women, the whole problem of "defining the limits of acceptable behaviour" is that society is dominated by men – who have, until quite recently, always been politically correct in their own eyes simply by virtue of being male.

Mr Bentley should try putting himself in our place for a change – for instance at any lecture in any subject traditionally dominated by men – and he might then find that political correctness (from a female point of view) could consist of nothing more alarming than consideration for other people's feelings and point of view before opening his mouth – not always something that is a male strong point!

Veronica Stebbing,
22 rue Poliveau,
75005 Paris,
France

His problem by then

From Mr A Thompson.

Sir, Labour party leader, Tony Blair, writes (Personal View: "How to flatten the cycle's ups and downs", September 13): "The implied City forecast in the index-linked bond market is an inflation rate of more than 5 per cent by the end of the decade..."

Perhaps is has occurred to the markets, if not to him, that the end of the decade could be his department.

A Thompson,
28 Conrad Drive,
Worcester Park,
Surrey KT4 8PP

[redacted]

FINANCIAL TIMES

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Tuesday September 20 1994

Agenda for Euro-reform

Across a wide range of fields, the European Union is failing to win support from its citizens for measures carried out in their name and, ostensibly, for their benefit. Its decision-making bodies appear unwieldy, undemocratic and ineffective. Steps to correct this should be high on the agenda of the inter-governmental conference (IGC) which is to meet in 1996 to consider revision of the Maastricht treaty.

That conference will also have to adjust the Union's institutions in the light of two years' experience with an enlarged membership (including Austria and up to three Nordic states) and in the perspective of further enlargement to central and eastern Europe. It will, in addition, have to take some account of Germany's desire for further advances towards political union as a condition for economic and monetary union.

In considering reform, governments will need to separate areas where agreement is possible, and indeed indispensable, in 1996 from those where disagreement will remain for far longer. Some of the federalist proposals in the German Christian Democrats' recent discussion paper fall in the latter category. For instance, it is hard, if not impossible, to see how the proposal that the Commission should "take on features of a European government" can be reconciled with the desire of several national governments (not only the British) to exercise more control over the Commission, through the Council of Ministers.

One area where it is vital to agree on change is the size and composition of the Commission. Under present arrangements it will increase next year to 21 members, including at least one from every member state. There will not be enough portfolios to go round, plenary meetings will be hard to manage, and not all Commissioners will be of the calibre needed. The IGC will have to come up with a more meritocratic system, in which larger states forgo their automatic right to have two Commissioners each, and smaller ones agree to be represented in groups, or by rotation.

If the Council, for the foreseeable future, is to remain the main locus of EU legislative power, changes in decision-making mechanisms will be vital to allow more majority voting, with a lower threshold for the so-called "qualified majority", and voting weights that more accurately reflect the differing size of member states. The Council's legislative sessions must also be made fully public, and its work made more accountable, notably by better scrutiny in national parliaments.

As for the European parliament, 1996 will probably not be the time to decide a further expansion in powers already considerably extended under Maastricht. The parliament must first demonstrate that, in spite of its disparate composition since last June's elections, it can sensibly deploy the "co-decision" muscle it now shares with the Council.

MEPs can help the electorate understand how the EU works, and what purpose they themselves serve, if they take a constructive rather than utopian or self-aggrandising lead in the debate on institutional reform. They could draft a European Basic Law – simpler and more modest than their predecessors' efforts at constitution-writing – which would relegate to essentially technical annexes much of the impenetrable language of the Maastricht treaty, and provide in its main text a clear account of the Union's structure, the competences of the various organs, and, perhaps most important, the division between the powers of individual member states and those of the EU.

This draft could then be used as the basis for public debate throughout the Union, in which national governments would have to take a position. That way the citizens of the EU would be less likely to feel in 1996, as so many did at the time of Maastricht, that everything was being done behind their backs.

Feelgood factor

Why don't consumers feel happier about the economic recovery? Mr John Major says they should, and so do most of the economic statistics; but Gallup shows them clinging resolutely to gloom.

A clue to this conundrum came yesterday from a leading feelgood factory, Grand Metropolitan's IDV drinks business. Instead of uncorking expansion, IDV's announcement reads like recession's hangover: plant rationalisation, office closures, regional restructuring.

Another clue is the way companies find it hard to raise prices, *despite economic recovery*. Fiercer global competition lets consumers shop around. Companies grown fat on regional dominance find themselves seventh in a global market where only the big three thrive. To compete, ever-lower costs are essential.

This remorseless logic has undermined the drinks industry's dash for margin, the trend of the late 1980s. For a while, drinkers were happy to pay more for sipping less; but as Guinness has found, that only works while the glow of economic euphoria lasts.

This is the real message in IDV's bottle. Big companies, in English-speaking countries at least, are in a Maoist state of permanent revolution. GrandMet preceded the IDV restructuring with a similar effort in its US food business. Few large companies are not wielding the axe somewhere in their divisions. So, even though employment is rising, people who already have jobs feel threatened by uncertainty.

That is a deeply unsettling sentiment. Much of economic history reflects the desire to defeat, avoid or pass on to someone else the inevitable uncertainty of human existence. The craving is a visceral one; its consequences range from trivial to profound, from the folding umbrella to the Common Agricultural Policy. It is frustrating when this sentiment hampers manifest improvements in human welfare, such as wider free trade. But politicians and business people ignore it at their peril.

The lesson, for politicians, is that people really feel good only when they possess greater economic certainty – something to be earned the hard way, by long-term policies which promote stability. Business people have little choice but to live with uncertainty; but they might minimise its impact on stakeholders by speedy decisions, frankly communicated. After all, the truth works in good times as well as bad: a bit *less* feelgood factor wouldn't have done any harm in the late 1980s.

Sweden's road

After victory comes the battle. The Swedish Social Democrats' return to power in Sunday's election leaves their leader, Ingvar Carlsson, with three campaigns still to fight. On past experience, he is well-equipped to wage the two, more immediate, battles. But he has yet to show that he can take on the country's deepest challenge: reform of the Swedish welfare state.

Mr Carlsson's first task will be convincing the world's financial markets that he will reverse the country's spiral into debt. There are plenty of reasons for scepticism. His party's electoral campaign was noticeably short on talk of fiscal austerity. Clearly, there must be a larger package of deficit cuts from the new government than the meagre SKr61bn (£5.1bn) one announced in August.

A more credible fiscal plan would involve public spending cuts, not the tax rises which the party finds it easier to *suggest*. But the Social Democrats' close ties with the public sector might help them to persuade affected groups that the cuts are inescapable. The outgoing centre-right government could not play this difficult role, as the results of the campaign suggest.

Mr Carlsson may owe his victory to Mr Carl Bildt's willingness to push through several unpopular, but necessary, reforms as prime minister. Mr Bildt, however, frequently tried to sell these policies as the medicine required by membership of the European Union. This may prove damaging to the new government in battle number two: November's referendum to confirm Sweden's membership of the EU.

Although the Social Democrats' have committed themselves to Europe, many of their supporters have not. Thanks, in part, to Mr Bildt's sales tactics, the latter view Europe only in a negative light. The new prime minister must continue his efforts to show that Sweden has a better chance of tackling problems like its 14 per cent unemployment rate within Europe than without it.

Sweden must recognise its kinship with the other countries of Western Europe, but its third and largest challenge is also to see the parallels between its own predicament and those of countries further east. As Poland and others have learnt, it is painful to reform a system which guarantees security but fails to provide long-term economic growth. Sweden's pain is bound to increase further, if its government and people continue to hope that short-term expedients will be enough.

Chips down for PC partners

The computer industry's response to the Compaq-Intel spat is fascinated dread, say Louise Kehoe and Alan Cane

Intel, the world's largest semiconductor manufacturer, is spending $80m – the most it has committed to an advertising campaign – to persuade consumers and businesses to buy personal computers based on its latest microprocessor, the Pentium.

The first newspaper, radio and TV advertisements are appearing in Europe and the US. But behind the message that "It's amazing what you can do with a Pentium processor" looms a power struggle between Intel and Compaq Computer, its biggest customer.

Intel and Compaq have for years collaborated in bringing to the market PCs based on Intel's microprocessor chips, which have helped Compaq become the world's leading manufacturer of powerful PCs.

However, Intel's efforts to boost sales of all Pentium-based PCs could now harm Compaq's interests, and affect the rest of the industry, by shifting consumer preferences ahead of a Christmas boom in home computer sales.

Signs of friction between Intel and Compaq emerged this month when the usually imperturbable Mr Eckhard Pfeiffer, Compaq president and chief executive, lashed out at Intel at an industry forum in Barcelona. He accused Intel of undermining Compaq's marketing efforts and of not giving his company due consideration as the biggest seller of PCs in the US and Europe.

The issues cited by Mr Pfeiffer – clashes over Intel's promotion of its own brand name, chip prices, and direct competition from Intel's growing PC and circuit board manufacturing operations – are the symptoms of a souring relationship, according to industry observers.

"In private, the executives have barely been able to contain their anger for months," says Mr Michael Slater, an industry consultant and newsletter publisher. "The only thing that is surprising is that this has come out in public."

Behind Mr Pfeiffer's outburst lies Compaq's growing frustration over Intel's efforts to orchestrate an acceleration in the pace at which technology advances in the PC industry. *Intel appears to be treating the industry merely as its distribution arm, seeing the PC user as its ultimate customer.* Hence the worldwide advertising campaign.

Intel is pushing Pentium not only to maximise its already strong profit margins, but to outpace mounting competition threatening to eat into its roughly 90 per cent share of world microprocessor sales.

Advanced Micro Devices, Intel's Silicon Valley neighbour and bitter rival after almost a decade of legal disputes, is biting at the market leader's heels with its versions of Intel's previous-generation 486 microprocessors. It will launch a Pentium look-alike, or clone, chip at the end of the year. Compaq's latest machines, for the consumer market, use AMD microprocessors.

Last week, Nexgen, a privately held chip developer in which Compaq has a minority stake, launched a family of "Pentium class" chips – microprocessors claimed to be as *powerful and flexible as Intel's*. Nexgen and Cyrix, another smaller chip company, have also contracted with International Business Machines to manufacture microprocessor clones, making them credible Intel challengers.

Collectively, these companies could achieve a 20 per cent or higher share of the PC microprocessor market over time, Mr Slater predicts. "In a worst case scenario, Intel faces a gradually declining market and possibly rapidly declining profit margins as competitors force down prices," he says.

Rather than give ground, Mr Andrew Grove, Intel's combative chief executive, has declared the chip maker will "eat its own children" or deliberately cannibalise the market for its established products with new, more powerful chips.

For Compaq, however, Intel's determination to maintain market leadership presents serious problems. In its own drive to increase *market share, Compaq built up* huge inventories of PCs, worth $2.2bn at the end of the second quarter, double that of a year earlier. The PC maker says the stocks will enable it to meet expanding demand and increase market share.

But much of Compaq's inventory comprises lower performance PCs, rather than the Pentium models Intel is promoting. Last week, Compaq launched its own "aggressive new worldwide consumer marketing blitz" for new consumer PC models based on older microprocessors.

Compaq's new consumer models have multimedia capabilities and can double as a television set or telephone answering system. They will sell in the US for about $2,100 including a large colour monitor. For a similar price, a buyer could get a Pentium-based PC, with fewer bells and whistles, from a less well known manufacturer. Pentium multimedia PCs usually cost about $400-$500 more.

Intel's efforts to point consumers towards more powerful Pentium machines include in-store demonstrations showing a Pentium PC racing through tasks while older 486SX-based machines lag behind.

"The 486-based PC is not the machine you should be buying," says Hans Geyer, head of Intel's European operations. "Any company that has a huge inventory of one kind of product when the market prefers another is in a dangerous position."

Compaq is not amused. From the company's perspective Intel seems to have forgotten the rule that the customer is always right. In fact, it seems, Intel is saying loud and clear that its biggest customer is wrong.

"What upsets us generally is that a component supplier should try to influence the end user. The end-user market is not their business. *They are interfering*," says Andreas Barth, one of Mr Pfeiffer's closest colleagues and head of Compaq's European operations.

Compaq must also be galled that Intel, along with Microsoft, the PC software leader, earns most of the profits made in the PC industry – its 1993 gross margins of 63 per cent were significantly ahead of Compaq, the most profitable PC manufacturer, which managed 23.6 per cent.

It is an illusion, argues Mr Barth, to suggest the whole PC market is shifting to Pentium. Less than 12 per cent of PC sales in US consumer electronics stores are Pentium PCs, says market researcher Consumer Intelligence Infocorp.

However, Intel's argument that a powerful Pentium processor is necessary to take full advantage of multimedia PC applications is increasingly credible. The latest PC games, incorporating sophisticated video and graphics, run at a snail's pace on older microprocessors.

Moreover, what Compaq sees as interference, smaller PC makers regard as free advertising likely to boost demand for their products. Several plan to ride on the coattails of Intel's campaign with their own product campaigns.

Yet Compaq is not alone in rueing Intel's power to shift the PC market rapidly from one generation of microprocessors to the next. The dizzying pace of change is also upsetting some buyers concerned about the rapid obsolescence of the products they purchase. "Customers are telling us to slow down the pace of technology," Lou Gerstner, IBM chairman, said earlier this year. "How powerful a computer do you really need on your desk?"

For now, however, Intel is in the driving seat. While it is promoting the Pentium chip for this Christmas, it plans to launch a yet more powerful microprocessor, codenamed P6, next year and is already working on later generations of chips. "Intel has made a conscious decision that it is more important to try to make the overall PC market grow as quickly as possible than to protect the interests of its big customers," says Mr Slater.

The computer industry is following the dispute with fascinated dread. Alliances and co-operative ventures have become the order of the day as electronic technology becomes too complex for any one company. If giants like Intel and Compaq cannot co-ordinate strategies to their mutual advantage, can others do better?

Robert Rice on the Strasbourg Commission's view that Ernest Saunders was denied a fair hearing

Legal process on trial

The European Commission on Human Rights may have blown a large hole in the British government's campaign against white-collar crime.

It has decided that Mr Ernest Saunders, the former Guinness chairman jailed for theft and false accounting after the company's 1986 takeover of Distillers, was denied a fair trial. In particular it concluded that the use by the prosecution at his trial in 1989 of answers given by Mr Saunders under compulsion to Department of Trade and Industry inspectors breached the European Convention on Human Rights.

The ruling appears to be a serious blow to the Serious Fraud Office, for which the Guinness trial was a rare high-profile success. It may have a crucial bearing on the ability of the UK authorities to prosecute fraudsters and other financial miscreants, which depends to a significant extent on being able to compel suspects to answer questions.

More tentatively, it may also have *implications for the government's* current strategy for combating other forms of crime by curbing the suspect's right to silence.

The ruling is not binding and the issue will have to be decided by the full European Court of Human Rights. That could take two years.

But if the Court upholds the Commissioners' findings, criminal law experts believe the result would have grave implications for the fight against fraud.

This is because the authorities might no longer be able to use the transcripts of interviews with suspects carried out by Department of Trade and Industry inspectors as direct evidence in court. In the view of many experts, such interviews often play a crucial part in the prosecution case; without them, white-collar crimes can be extraordinarily difficult to prove.

Mr John Clitheroe, a fraud lawyer and senior partner of London solicitors Kingsley Napley, says: "DTI transcripts were used almost as the sole basis of the prosecution case in the Barlow Clowes trial. In many instances it's going to be the main plank of their case."

Mr Clitheroe believes that if the court upholds the commission's verdict the government would have to think again about the use of evidence provided by witnesses who have been compelled to answer questions by DTI inspectors.

The same may go for such evidence when it is obtained by company liquidators under sections 235 and 236 of the Insolvency Act.

Until recently it was thought evidence gathered by liquidators using their Insolvency Act powers could not be used directly in evidence at trial. But in July the House of Lords ruled in the case of Mr Muhammed Naviede, former chairman of Arrows trading company, that sections 235 and 236 information can be used by the prosecution at trial. A Strasbourg court decision to uphold the commission may call this in question, too.

The SFO is making no comment about the commission's ruling. But sources close to the office believe victory for Mr Saunders would not seriously damage the fight against fraud. They say the SFO is no longer so reliant on DTI inspectors' transcripts as it was at the time of the Guinness case. Nowadays it prefers to mount its own investigation using its powers under section 2 of the 1987 Criminal Justice Act to compel witnesses to answer its own questions.

The SFO also believes that these draconian powers would not be affected by the commission's ruling. The commission's complaint with Mr Saunders's treatment is that he was compelled to answer questions *and* that his answers were then used in evidence against him.

Information gathered by the SFO using its section 2 powers cannot be used as evidence in court unless the defendant deviates from the account he gave to the SFO. At worst, the SFO believes it might now have to consider carefully what reliance it wanted to place on DTI transcripts in future cases.

What of the government's current attempt to curb the wider right to silence in ordinary criminal cases? Could that, too, be impaired? Mr David Kirk, a partner of solicitors Simons Muirhead Burton, believes the Strasbourg court would need to go much further than the commission for the government's new policy to be threatened.

"The new curb only goes as far as saying you can still say nothing, but if you do say nothing the judge can comment on your silence. That's not the same as compelling someone to answer and then using their answers against them in court."

But Mr Anthony Scrivener, QC, former chairman of the Bar Council, says that irrespective of what happens to Mr Saunders's case in Strasbourg, the government's curb on the right to silence cannot stand up.

"The first time someone is convicted without the benefit of the right to silence, the European Court of Human Rights will recommend the conviction is overturned.

"Most European countries uphold the right to silence. Mr Howard is trying to take us back to the dark ages. He should treat the Commission's decision as a shock warning of what's to come, and think again."

If Mr Scrivener is right, and the Strasbourg court does eventually strike down curbs on the wider right to silence, the government will be facing a rethink not just on its campaign to clean up the City.

OBSERVER

Pea-soup pop art

■ Stick around long enough and you'll become part of the furniture. Back in 1962 Campbell Soup, the US food group, reacted nervously to the late Andy Warhol's screen prints featuring the company's red-and-white soup cans. "We didn't know what to make of it. We thought someone was making fun of us," says Kevin Lowery, Campbell's public affairs chief.

That was probably exactly what was happening, but, boy, did it do wonders for brand recognition. So 30-plus years on, Campbell is searching out the next Andy Warhol. Hence an "Art of Soup" contest in which artists are invited to re-interpret the Campbell soup can.

Budding Warhols may work in any medium, including sculpture, video and "wearables". Professionals, amateurs and children of 12 and under will be judged separately, and there will be prizes of up to $10,000 for some.

So is this art or just an artful PR stunt? Who cares, so long as it's (internationally) famous for 15 minutes.

Puppy love

■ Has Grand Metropolitan sold itself short in off-loading Alpo to Nestlé for a mere $510m? The Swiss *company should appreciate, after* all, that it has acquired something far more prestigious than simply America's seventh largest pet food business.

Why, the Alpo name is a veritable institution across the country after those long-running dog food ads of yore featuring Johnny Carson side-kick Ed McMahon. Indeed, considering the number of people popularly supposed to have been conceived during the commercial breaks of the Tonight Show, Nestlé might even be considered to be buying directly into the country's gene pool.

Pussy footing

■ Alexander Kwasniewski, who last year led Poland's reformed communists back to power in coalition with the Peasants' party, is not normally backwards in coming forward. But, mention his possible candidacy for next year's presidential election, and he comes over all shy.

Lech Walesa, the current incumbent, is deeply unpopular, while Kwasniewski tops the opinion polls. The latter's main worry, however, seems to be that, if he stands, Walesa could wage the sort of bare-knuckle anti-communist campaign that secured him victory in 1990.

In London yesterday, Kwasniewski thus confined himself to saying that Poland needs a president who spends more time on pushing Poland's entry into the European Union and Nato, and less on domestic political infighting.

No-one's fooled. That's code for "I'm your man". Being president *has* to be better than trying to control a fractious coalition, or forging a new constitution out of the seven competing drafts now on the table – two of the wearisome tasks on Kwasniewski's plate.

Happy families

■ So Ramon Pajares has finally succumbed to the blandishments of Rocco Forte and the Savoy Group. He is packing his bags at the Four Seasons and heading for the office of Giles Shepard, who made his exit last week.

As much the preferred candidate of both the Savoy and Forte, he was no doubt under considerable pressure to accept – perhaps even from his nearest and dearest. For his daughter, Maria, as PR manager of Claridge's, must surely have been a trifle *parti pris*.

Blackhand gang

■ How the mighty have become confusing. Bill Rodgers shouldn't really be astonished that he's emerged as the *bête noire* of Liberal Democrat activists currently putting the world to rights at Brighton. After all, he's been as outspoken as any among the old SDP Gang of Four in singing the praises of the new Labour leader Tony Blair.

But surely the conference bookshop has gone too far. The newly ennobled Lord Rodgers' political autobiography, *Politics of Change*, is placed on a shelf clearly marked for his party's political opponents.

Cuba novella

■ Another sign that the Havana-Washington hurricane is metamorphosing into something a little less threatening – Cuba is posthumously rehabilitating Ernest Hemingway.

The Nobel laureate was thrown out in the early, heady days of the 1959 revolution, an act which some think contributed to his later suicide.

Not that he was ever utterly *persona non grata*. His love of fishing has been locally commemorated by the use of his name for an annual international game fishing tournament.

Many weighty blue marlin have been hooked, hung and photographed in honour of Papa Hemingway.

But now his old home, 11 miles south of Havana, is being transformed into a small museum, where visitors will be able to see such oddities as an aged, well-preserved typewriter on a stand – Hemingway often wrote standing up.

Another, smaller museum is being created out of the writer's room at the Ambos Mundo Hotel.

Maybe Fidel Castro has even discovered the pertinence of one of Hemingway's tales: *The Old Man and the Sea*.

Less chatter

■ The latest annual report of the House of Commons commission informs us that administration costs were £4.6m lower than expected in 1993-94, "due mainly to lower than expected levels of parliamentary activity".

Not all blessings are mixed, obviously.

FINANCIAL TIMES
Tuesday September 20 1994

Groupe Bull employees accused in arson case

Computer maker denies it tried to deceive insurer

By John Ridding in Paris and Laurie Morse in Chicago

Agents of Groupe Bull, the French state-owned computer manufacturer, sought huge increases in insurance coverage for a warehouse in the two months before a fire devasted it in 1991, according to evidence in an arson case which began in Chicago yesterday.

A suit filed by Allendale Mutual Insurance of the US claims that the June 1991 fire, which destroyed stock worth about FFr584m ($111m) at the warehouse in northern France, was caused by employees or associates of the French company.

In pre-trial documents, the insurers allege that employees of the computer company started the fire at the warehouse – a central inventory collection point for most of Europe – to hide rapidly depreciating obsolete machinery stored there, and to obtain insurance policy proceeds and fresh capital from Bull's creditors.

In Paris yesterday, Bull vigorously denied allegations of arson and said it was counter-suing its former insurer for making the accusation. Bull claims Allendale wants to avoid paying a $100m insurance claim.

The French company said it firmly rejected the allegations and that an investigation by French authorities, completed at the beginning of this year, found no evidence of arson.

According to Bull, the warehouse was owned and operated by a company which was not an affiliate. The fire destroyed mainly excess inventory of Zenith Data Systems, the personal computer manufacturer acquired by Bull in 1989.

The opening of the case follows a protracted dispute between Bull and Allendale Mutual. With some 1,800 exhibits and 40 scheduled witnesses, the case has already tested the patience of the presiding judge, who says he will give both sides only seven days in court to air their dispute.

Judge George Marovich will submit his written decision some time after October 1. The suit is being heard in federal court in Chicago because Illinois is the US base for Bull Data Systems, the legal name for Bull's US operations.

The suit comes as the French group is preparing for privatisation. Last week, Mr Gérard Longuet, French industry minister, said he hoped to reduce the government's stake in Bull to below 50 per cent before next spring's presidential elections.

Bull has lost more than FFr15bn since 1990, although a restructuring package being implemented by Mr Jean-Marie Descarpentries, the chairman, has sharply cut losses this year.

Britain on brink of 'historic' recovery, says Major

By Kevin Brown in Jeddah, Gillian Tett in London and Lionel Barber in Brussels

The economic outlook in Britain is the best for nearly 50 years, Mr John Major, the UK prime minister, claimed yesterday.

In a clear attempt to reap a political dividend from the recent steady improvement in most indicators of economic performance, Mr Major used a speech to British businessmen in Saudi Arabia to set out his most optimistic assessment of the economy since the end of the recession.

But as an indication of the difficulty the Conservative government faces in persuading the electorate that recovery is under way, an opinion poll yesterday showed consumer confidence fell back earlier this month.

The survey, conducted by Gallup before a rise in UK base rates last week, showed that the proportion of people who believed the economy was improving fell slightly this month compared with August. Less than a fifth of households expect their household budgets to improve this year, the poll also found, suggesting that there is little likelihood of an inflationary consumer boom later this year. The monthly survey, for the European Commission, tracks consumer sentiment.

Mr Major, however, yesterday insisted that the UK was at "a historic turning point" in its economic performance. "We are now standing at the threshold of an economic recovery unlike any that we have seen since the second world war," he said.

UK officials said that the prime minister's bullish tone was partly intended to reinforce his upbeat economic message to King Fahd, delivered during several hours of "very friendly" talks.

The Saudi government is traditionally an important purchaser of UK government debt, and its willingness to remain in the market is regarded as an important indicator of the overseas credibility of British economic policy.

However, Mr Major's positive message was also an attempt to reverse the trend of many opinion polls which suggest that the economic recovery is not being translated into an increase in support for the government.

He brushed off last week's half point rise in bank base rates to 5.75 per cent as a necessary measure to hold down inflation.

THE LEX COLUMN

Shaken and stirred

Those inclined to look back will find plenty to grumble at in yesterday's restructuring announcement from Grand Metropolitan. The company seems unable to shake off an inclination to pile up provisions. The £280m charge announced yesterday, primarily for reorganisation of the drinks and European food business, follows a £175m charge a year ago for the US food and eye care businesses. If GrandMet really is trying clean up its accounts, why is it still resorting so heavily to exceptional charges? If the drinks business really is in need of surgery, why were its problems not addressed earlier? Cynics would say the new top team is simply setting itself up for a run of good operating profits.

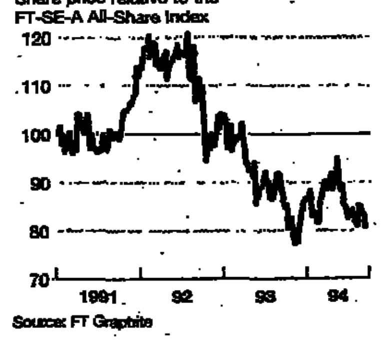
Yet those prepared to look forward must admit that the new approach is both reasonable and a reflection of GrandMet's growing internal strength. Disposals and cash generation have strengthened its balance sheet, so it can more easily cope with the outlay involved in restructuring. The latest programme will enable GrandMet to spend more on marketing its spirits brands, some of which have suffered slightly from neglect.

Two big questions remain. GrandMet clearly needs to do something about its European food business, which lacks critical mass. The choice, left open in yesterday's announcement, is between expansion and winding down which might prove less risky. The other concern is whether the weakness of the spirits business reflects fundamental pricing troubles. GrandMet's recovery will be slower if today's austere climate has left consumers reluctant to pay up for premium brands. That environment would hit other producers too, though. In such a world the prizes accrue to those with the most efficient production and distribution networks.

FT-SE Index: 3079.1 (+14.0)

Grand Metropolitan

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

MAI

The recent news about MAI has been dominated by its media side – in particular Lord Archer's controversial share orders in the run-up to the group's bid for Anglia Television. But that was not what was worrying the stock market yesterday. MAI's media division, which includes Anglia, exceeded expectations. The cost-cutting phase is over and MAI is now moving ahead with plans to build up Anglia's TV production operations. Originally, MAI predicted the £292m acquisition would be earnings neutral in its first year. Now it says the deal will enhance earnings.

What sent MAI's shares tumbling 8 per cent were concerns that its money broking operations – which still dwarf the media side – were running out of steam. There are two things to be said about this. First, it is hardly surprising that MAI is not enjoying the bumper conditions which prevailed before the US Federal Reserve raised interest rates in February. Second, the group is responding to the slimmer pickings in the market by emphasising cost-control. Not only are its wage costs variable, as bonus makes up a large proportion of brokers' remuneration, MAI has also benefited from lower international telecoms charges, its other main cost centre. That said, money broking is not a fast-growing business. MAI can be expected to grasp the opportunities to expand its media side whenever they occur.

Hochtief/Holzmann

Hochtief's proposed acquisition of an additional 10 per cent stake in Philip Holzmann signals the beginning of antagonistic relations between Germany's two biggest construction companies. The move will take Hochtief's holding in the larger Holzmann to 30 per cent, a platform from which Hochtief, itself a subsidiary of the RWE energy conglomerate, is likely to agitate for management control.

Despite Holzmann's desire to remain independent, the case for merger is strong. The companies operate in compatible areas, with an especially good fit outside Germany where Holzmann's DM4bn of turnover makes it twice as big as its rival. The smaller Hochtief is the more profitable with a return of nearly 5 per cent on turnover at the last earnings peak, five times as high as at Holzmann. Hochtief could extract operational efficiencies at Holzmann, whose shares have underperformed the market by 50 per cent over the past five years.

However compelling the argument for fusion, changes of corporate control in Germany – especially those promoted against the will of incumbent management – are long-drawn out affairs in which the interests of the big shareholding banks invariably take precedence over those of minority shareholders. The traditional, backdoor way for Hochtief to win control would be to acquire Deutsche Bank's 30 per cent stake in Holzmann (though at present the bank says it is not selling). Better, for the evolution of Germany's financial markets, would be for Hochtief to make a full-scale takeover offer.

City regulation

The British system for investigating and prosecuting fraud has once again been found wanting. Powers that compel suspects to answer questions are blatantly unfair – as the European Commission of Human Rights has ruled in its assessment of the Guinness affair. But it is not as though these powers are particularly effective anyway. Britain's record of convicting fraudsters is notoriously poor.

A rethink is needed. A promising approach would be to abandon criminal punishments for many classes of financial skulduggery and instead focus on civil penalties. Those convicted could be fined, ordered to restitute funds to those who had been damaged, and/or be disqualified from being directors. When individuals have not personally enriched themselves, a prison sentence often looks unnecessarily harsh. And since they would not go to jail, it might also be acceptable to lower the standards of proof to those in civil cases.

The main argument deployed against such an approach is that it would create one law for the rich and one law for the poor: petty thiefs would end up in prison, but big fraudsters would not. But this need not be so. It would still be possible to retain criminal sanctions for cases such as embezzlement. Moreover, if the evidence was not strong enough for a criminal trial in such cases, surely it would be better to inflict stiff civil penalties than no punishment at all.

Sweden coalition

Continued from Page 1

Stockholm Stock Exchange when markets opened yesterday.

Mr Lars Ramqvist, chief executive of Ericsson, the telecommunications group, echoed widely held concerns when he said a straight left government would have "no credibility".

Markets steadied later after Mr Carlsson said his priorities were strong government, correcting the crisis in public finances and winning the referendum on November 13 on Sweden's proposed entry to the European Union.

Social Democratic officials said Mr Carlsson, who is expected to take office in two weeks' time, intended to unveil a budget strengthening package in the autumn, before the annual budget due in January.

But they said the package might be delayed until after the EU referendum.

Mr Carlsson also said he would seek cross-party support for early implementation of a proposal already approved by parliament to tighten the budget formation process. This means, in effect, that overall government spending limits set in the budget will no longer be able to be breached by special interest groups in parliament.

Ministers row over Spain's inflation rise

By Tom Burns in Madrid

If Spain's struggle to contain rising prices was not difficult enough, a public row between two cabinet ministers about how the national statistics institute calculates inflation is further embarrassing the government.

Financial markets were shocked last week when the statistics institute, the INE, reported that prices in August had jumped 0.6 per cent to a give year-on-year headline inflation rise to 4.8 per cent and an accumulated rise to 4.3 per cent.

But the jitters among bond traders paled compared with the raw nerves that surfaced in government circles.

Mr Pedro Solbes, finance minister, is embarrassed because his 3.5 per cent inflation target for the end of this year is now well beyond reach.

Mr José Borrell, the communications minister, is furious because a change in telephone charges, which he had ordered before the summer, was blamed for the rise.

Mr Borrell, a mathematician who takes pride in his numeracy, claims that the inflationary effect of a July telephone tariff revision that lowered the price of long-distance calls and made local ones more expensive was "neutral" and contributed a mere 0.02 per cent to August's inflation.

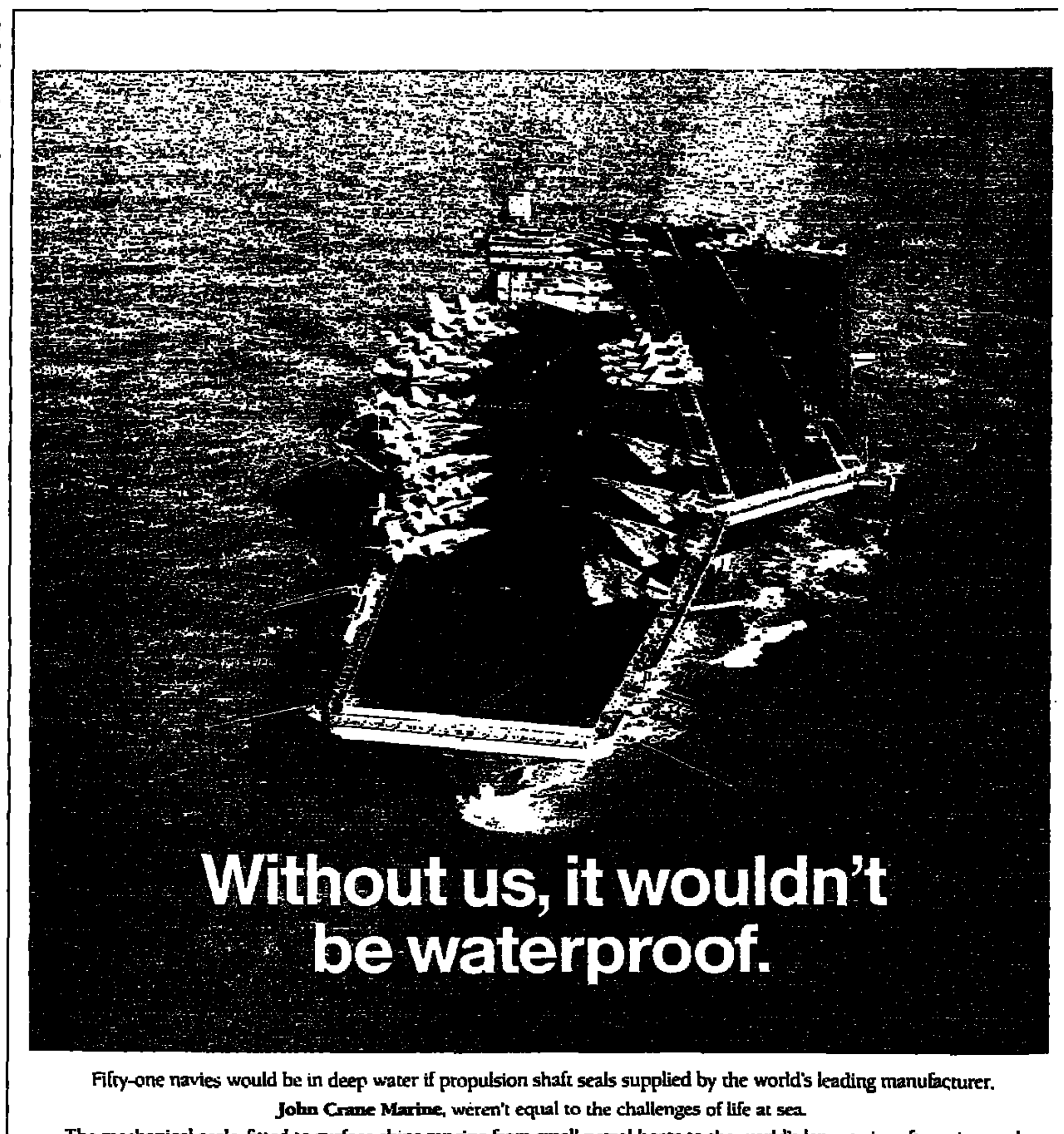
The institute insists that the overall cost to consumers of the tariff revision was 14 per cent and that the new charges pushed the consumer price index up by 0.2 per cent.

"If we wanted to look like a banana republic, we couldn't be going about it better," said a senior economist at one of the main domestic banks. "Here nobody knows what to believe because we have lies, statistics and telephone tariffs."

Mr Borrell vowed that "heads will roll" over the row and that he will change the telephone charges again if they turn out to be so inflationary.

He wants the INE, which is controlled by the economy and finance ministry, to reveal how it assessed the impact of the tariff revision.

The transport minister was nevertheless rebuffed yesterday when the institute said it had used the revised tariffs supplied by the national telecommunications company and that its use of the data was "a statistical secret".



US troops stage peaceful landing in Haiti

Continued from Page 1

critic of Mr Aristide, questioned why General Cédras was "allowed to stick around until October 15, maybe stay in the country and maybe run for president next year".

But Mr Clinton and Mr Carter pointed out that the Governor's Island agreement of July last year, also designed to ensure the restoration of Haiti's democratically elected government but never honoured by the junta, would not have forced them into exile. "I think they probably will leave – and should leave," Mr Clinton said, "but this still has to be worked out by all the actors in the Haitian problem."

The agreement was greeted with huge relief in Washington, where a fully fledged invasion was widely opposed. The Democratic leadership in Congress, following a White House meeting with Mr Clinton and the Carter team, said they would prepare motions expressing support for both the agreement and the US military mission.

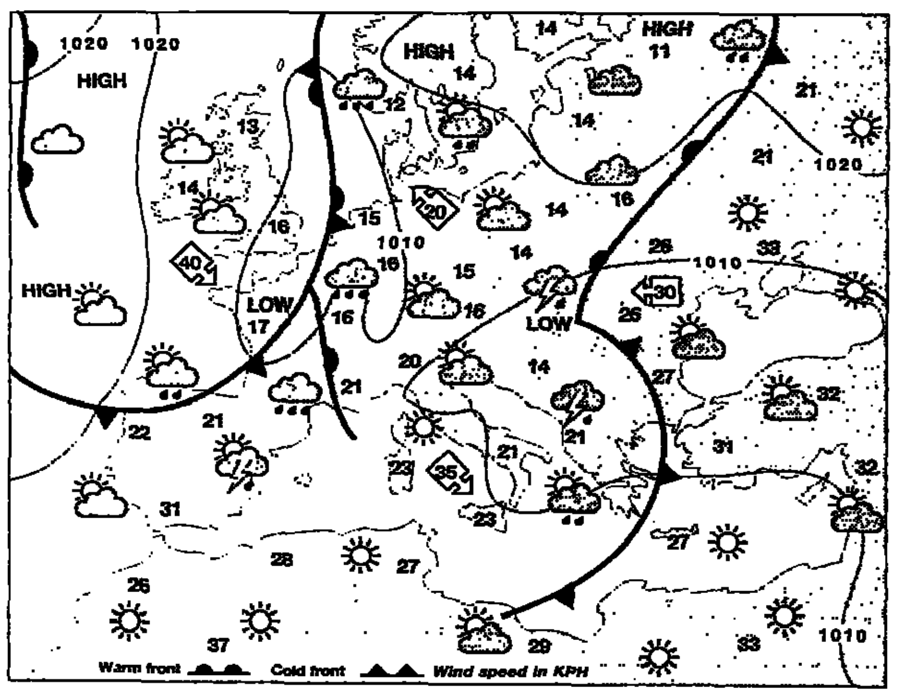
FT WEATHER GUIDE

Europe today

A band of steady rain, associated with low pressure over the North Sea, will linger over the Benelux, most of France and along the northern coast of Spain. Eastern England will have several periods of rain. Other areas of the UK, western and eastern France and Germany will stay mainly dry with cloud interspersed with sun. Northern Scandinavia will have sunny periods but central areas will be covered by cloud and southern parts will have showers. The Mediterranean will be sunny, except for eastern Spain and the Balkans where thunder showers will occur. Most of Russia will have sunny spells.

Five-day forecast

Thunder showers will continue across north-west Spain into south-east France. High pressure over the Atlantic will build and bring sunny spells from the UK to Scandinavia. Meanwhile, northern Scandinavia will have rain as the weekend approaches. The north-west of the continent will be unsettled with showers. Much of the Mediterranean will be sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	25	Caracas	thund	31	Faro	sun	28	Madrid	fair	25	Rangoon	rain	30
	Celsius		Belfast	fair	14	Cardiff	fair	15	Frankfurt	fair	18	Majorca	thund	24	Reykjavik	fair	9
Abu Dhabi	sun	39	Belgrade	rain	16	Casablanca	sun	26	Geneva	cloudy	16	Malta	shower	26	Rio	cloudy	23
Accra	fair	32	Berlin	shower	17	Chicago	fair	28	Gibraltar	sun	25	Manchester	fair	15	Rome	sun	23
Algiers	sun	28	Bermuda	fair	31	Cologne	fair	17	Glasgow	fair	15	Manila	cloudy	33	S. Frsco	fair	27
Amsterdam	rain	14	Bogota	cloudy	19	Dakar	fair	31	Hamburg	shower	17	Melbourne	shower	13	Seoul	fair	25
Athens	thund	27	Bombay	shower	29	Dallas	sun	32	Helsinki	cloudy	14	Mexico City	thund	21	Singapore	thund	29
Atlanta	sun	26	Brussels	rain	14	Delhi	fair	34	Hong Kong	cloudy	27	Miami	thund	32	Stockholm	cloudy	14
B Aires	cloudy	26	Budapest	shower	19	Dubai	sun	38	Honolulu	cloudy	32	Milan	fair	21	Strasbourg	fair	18
B.ham	fair	15	C.hagen	fair	15	Dublin	fair	14	Istanbul	fair	29	Montreal	shower	21	Sydney	shower	15
Bangkok	rain	34	Cairo	sun	33	Dubrovnik	thund	19	Jakarta	fair	32	Moscow	cloudy	20	Tangier	sun	27
Barcelona	thund	23	Cape Town	sun	18	Edinburgh	shower	14	Jersey	rain	14	Munich	fair	18	Tel Aviv	sun	31
									Karachi	fair	34	Nairobi	fair	26	Tokyo	cloudy	28
									Kuwait	fair	44	Naples	fair	21	Toronto	fair	21
									L. Angeles	sun	28	Nassau	fair	32	Vancouver	fair	21
									Las Palmas	fair	27	New York	sun	24	Venice	fair	18
									Lima	fair	21	Nice	fair	20	Vienna	cloudy	15
									Lisbon	fair	27	Nicosia	sun	36	Warsaw	shower	14
									London	fair	16	Oslo	fair	13	Washington	sun	26
									Lux.bourg	fair	14	Paris	rain	13	Wellington	shower	12
									Lyon	fair	18	Perth	shower	27	Winnipeg	shower	21
									Madeira	fair	26	Prague	fair	15	Zurich	shower	16

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 20 1994

IN BRIEF

Ronson could head salvaged Heron

Holders of £378m ($599m) of debt in Mr Gerald Ronson's property group Heron International were yesterday offered £142m of cash, or the chance of taking a stake in the group which could continue to be run by Mr Ronson. Page 22

BK Vision wins rights case
BK Vision, the investment company controlled by Mr Martin Ebner's BZ banking group, has won a landmark court challenge against a Swiss company's attempt to reduce shareholder rights in issues of new equity capital. Page 22

Kemira aims to raise FM1.5bn in offer
Kemira, the Finnish state-owned chemicals group, said it hopes to raise more than FM1.5bn ($305m) through an international share issue. Page 24

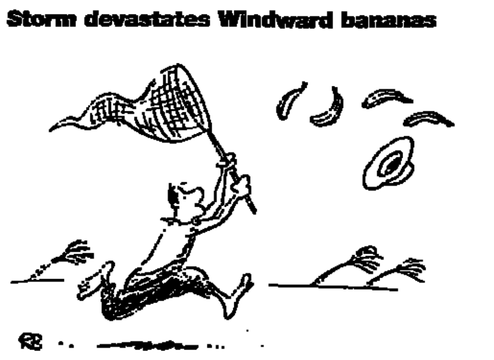
HungarHotels contenders line up
American General Hospitality, a privately-held US company, and Intercontinental Hotels, the Japanese-owned hotel group, emerged as the top contenders for a 51 per cent stake in HungarHotels, Hungary's last state-owned hotel chain to come up for privatisation. Page 24

Shareholders approve Coles plan
Shareholders in Coles Myer, one of Australia's largest retailers, yesterday approved the company's plans to buy back 21.45 per cent of its equity, for A$1.26bn ($920m). Page 25

Gillette's Indian swathe stalled
A year after Gillette was given permission by the Indian government to acquire a stake in India's biggest shaving blades manufacturer, the US-based multinational's plans for the sub-continent have been *stalled by a family feud and a drawn-out legal* battle. Page 25

Jardine Matheson rises 24% at interim
Jardine Matheson, the trading conglomerate which is to delist from the Hong Kong stock exchange at the end of the year, has reported a 24 per cent increase in earnings. Page 25

Storm devastates Windward bananas



The banana industry in the Windward Islands, the main source of British imports, was devastated by the tropical storm that passed through the eastern Caribbean ten days ago. Page 30

Morgan Crucible up 8% at interim
Morgan Crucible, the speciality UK materials manufacturer, is increasing its dividend for the first time since 1991 after reporting an 8 per cent rise in interim pre-tax profits to £35m ($53.9m). Page 28

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Holzmann	882	+	19
Falls			
Allianz	2360	-	52
Bay Verein	419	-	16
Colonia Prf	870	-	35
Porsche	735	-	40
Veba	532.8	-	6.7

NEW YORK ($)

Rises			
Coca Cola	49	+	1¼
Digital Eq	26¾	+	1⅛
Exxon	60	+	1¼
Time Warner	38	+	1¾
Falls			
Alum Rich	101½	-	2¼
Gen Elec	50⅝	-	½

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Intechnique	670	+	15
Promodes	860	+	21
Falls			
Air Liquide	710	-	27
Cred Fonc	780	-	27
Cred Nat	397.5	-	11.5
GTM-Entrep	462	-	14

TOKYO (Yen)

Rises			
Chuo Tst	1500	+	80
Falls			
Aoyama Trad	3270	-	210
Dai Tokyo	739	-	33
Koyo Seiko	850	-	35
Mercian	717	-	34
Noritake	762	-	38

LONDON (Pence)

Rises			
Blenheim	329	+	16
Great	220	+	9
Ranger Energy	272½	+	10½
Rugby	248	+	14
Sindall (Wm)	105	+	10
Wellcome	685	+	28
Yorkshire Food	108xd	+	8
Zeneca	833	+	22½
Falls			
BLP	174	-	16
Barratt Dev	177	-	6
Bensons Crisps	48	-	4
Dinkie Heel	38	-	4
MAI	255½	-	23
Magnolia	74	-	4
Paterson Zoch A	471	-	12
Persimmon	232	-	14
RIT Capital	177½	-	6
Rhino	27	-	5
Sanderson Brml	177	-	6½
Tottenham Hspr	135	-	9

Veba quickens pace on telecoms

By Christopher Parkes in Frankfurt and Michael *Lindemann in Bonn*

Veba, the German energy-based conglomerate, aims to build its fledgling telecommunications subsidiary into an international operation with sales of DM8bn a year by 2003, according to Mr Ulrich Hartmann, group chairman. Further steps announced yesterday included the purchase of a 10 per cent stake in the Iridium satellite communications group and agreement on a joint venture with Deutsche Bahn, the German railway.

The group is also close to concluding an agreement on selling a stake in its Vebacom telecoms *subsidiary, set up in March this* year, to an international partner, Mr Hartmann revealed in a speech in Düsseldorf last night.

The group aimed to invest DM6bn by 2003, building up telecommunications into a business with a 10 per cent share of the German market, and creating 10,000 new jobs in the process.

In a flurry of developments, Veba announced it was to invest $140m in a 10 per cent stake in Iridium, and signed an agreement in principle with Deutsche Bahn, which will give it access to the signalling and track network.

Iridium, whose other key shareholders include Raytheon, *Lockheed and Sprint of the US,* plans to launch a network of 66 low-orbiting satellites in 1996 which will provide global wireless communications services. Veba's stake will give it exclusive rights to run the service in northern and western Europe.

Mr Hartmann said the aim was to offer new-generation mobile telephone services from 1998, allowing users to call worldwide using the same handset and number. The service to the remainder of the continent will be run by Stet, the Italian group.

According to Mr Hartmann, Vebacom had applied for a licence from the post ministry to run *a ground-based network* in co-operation with Deutsche Bahn, based in Leipzig, to supply a limited customer base with high-performance services.

The group's telecommunications business, based on the internal network of its Preussen Elektra power generation and distribution division, is in the early stages of development, but growing quickly. Vebacom already holds a 28.25 per cent stake in E-Plus, Germany's latest portable telecommunications network, and has recently forged links with private concerns in France and Switzerland.

Mr Hartmann said he expected Vebacom to start showing profits by 1999. While the link with Deutsche Bahn appeared to be a pre-emptive strike against other German corporations developing telecommunications divisions, and could face strong political and industrial opposition, the revelation of negotiations with several potential partners, signalled a major step forward.

Mr Hartmann said he expected to reach agreement with a suitable partner before the end of the year. "I would not go into the business without a strategic partnership," he said.

Hochtief wants more of Holzmann

By Michael Lindemann in Bonn

Hochtief, the German construction company, yesterday said it intended to increase its stake in its rival Philipp Holzmann, fuelling speculation about a possible takeover. The purchase of a further 10 per cent would make Hochtief the biggest shareholder in Holzmann, lifting its stake to 28.7 per cent.

Hochtief, Germany's second biggest building group, said the purchase was designed to increase co-operation between the companies on the international market.

Holzmann said it would co-operate with Hochtief, especially on foreign contracts, but warned it would do everything it could to remain independent.

Hochtief's bid must be approved by the monopolies authorities who warned that the companies could have a dominant position in several niche markets such as bridge building. The Berlin cartel office said it would need "a few months" to evaluate the purchase.

Deutsche Bank is the second biggest Holzmann shareholder with 25.9 per cent and there was speculation yesterday that Hochtief may buy some of its holding to further increase its stake.

The bank did not to participate in a Holzmann rights issue last year, hinting that it was not interested in a long-term investment. Earlier this year Deutsche said it wanted to run down shareholdings in some industrial companies but yesterday denied immediate intentions to sell *Holzmann shares.*

Hochtief has held about 20 per cent of Philipp Holzmann since 1981. It plans to buy the further 10 per cent from BfG Bank, a subsidiary of Crédit Lyonnais. BfG took the 10 per cent stake late last year but said it did not regard its stake as "strategic".

Hochtief and Holzmann would have a combined turnover of around DM20bn ($13.7bn) but Hochtief is considerably more profitable, reporting a 1993 profit of DM122m on a turnover of DM8bn. Holzmann earned DM106m on sales of DM12.4bn.

If German banks reduced their industrial shareholdings this would ensure greater transparency on the stock markets. However, a source at Holzmann warned that reforms would not be served if Hochtief, which is owned by RWE, Germany's largest utility, was allowed to increase its stake.

Lex, Page 20

Pechiney trims loss and sees second-half recovery

By John Ridding in Paris

Pechiney, the French state-owned aluminium and packaging group, yesterday announced a slight improvement in first-half results, narrowing net losses to FFr321m ($61m) from FFr397m in 1993.

A statement from Pechiney, which is scheduled for privatisation by the French government, forecast a marked improvement in second-half results on the back of a recovery in aluminium prices and increased contributions from other of its industrial activities.

Pechiney International, the packaging arm of the French group, saw net profits fall from FFr439m to FFr314m. The company said its US drinking can operations, which have been hit by weak prices, was being restructured at a cost of FFr369m.

According to Pechiney, the first half had seen a clear improvement in the economic environment which had helped its industrial and aluminium operations. These activities were severely affected by recession last year, when the group suffered a loss of FFr980m.

Group sales amounted to FFr33.96bn in the first half, compared with FFr31.27bn in 1993.

Operating results across the group's principal sectors saw varying fortunes. Profits from FFr905m to FFr890m in the packaging division, but rose from FFr195m to FFr214m in the turbine components. The aluminium business narrowed its operating loss from FFr138m to FFr45m.

At Pechiney International, sales were stable at FFr17.7bn. Operating results were also in line with the *first half* of *last* year, recording a profit of FFr1.08bn. Increased taxes and financial expenses, however, depressed the net profit figure.

The French government has not given a timing for the sale of Pechiney, one of 21 companies on its list of privatisation candidates. Industry observers in Paris said that Mr Jean Pierre Rodier, who took over as chairman in July, may need time to develop his strategy for the company before pushing for privatisation. Mr Jean Gandois, the former chairman who stood down to become a candidate for the head of the Patronat, the French employers' association, had sought privatisation by the end of this year or early 1995.

David Blackwell reports on £140m of a charge to reshape drinks arm

GrandMet sets store by its spirits shelf

While getting out of the US pet food market was seen in the City yesterday as a smart move for Grand Metropolitan, the announcement of further restructuring costs at the UK food and drinks group was not so welcome.

The £280m ($434m) exceptional operating charge, to be taken this year, follows last year's £175m charge for reorganising the North American food operations.

When Lord Sheppard became chairman in 1986 GrandMet was running around 30 disparate businesses. He identified food and drink as the two sectors on which the group should concentrate its efforts.

Yesterday he said: "Over recent years GrandMet has moved from a multifaceted conglomerate to a highly focused branded international food and drinks business."

Half of the latest charge will be devoted to International Distillers and Vintners, the world's biggest spirits producer. IDV is the *jewel in GrandMet's crown,* accounting for half the profits, but tough conditions in some of its main markets, such as the US and Germany, have led to what the group called yesterday "uneven trading".

At the time of the interim results in May, GrandMet said that destocking in the US drinks market was likely to cost it £40m this year. Yesterday it warned that IDV's profits are expected to be lower when the full-year results are announced on December 1.

Last year's restructuring produced annualised cost savings of £70m, and helped the group to increase its marketing spend by £50m over last year's £879m. The latest programme is expected to bring in a further reduction of £90m a year over the next two years.

Mr George Bull, who became chief executive last December, said the in-depth review of the group's businesses over the last 18 months had been aimed *at improving* long-term growth in earnings and cash flow.

> **The group is excited by potential markets in Asia and eastern Europe**

"The benefit of these programmes will be an overall reduction in our cost base which will allow increased investment in our brands," he said.

The £140m allocated to IDV, which has 13 of the world's top 100 brands and operates in 50 countries, will be spent on 200 different projects, concentrating on plant rationalisation, office closures and redundancies.

The group has been encouraged by the success of the North American programme – mainly at Pillsbury – to take a hard look at IDV's cost base.

With limited room for growth in Europe and the US, and not much room for price increases, *GrandMet is excited by potential* markets in Asia and eastern Europe, both for drinks and food.

Restructuring the European food businesses – mainly Brossard, the cake maker and Häagen-Dazs Europe, the ice-cream maker – will soak up £55m. European food contributed £735m to turnover but only £15m of operating profits last year. Again, the group would be looking to streamline production and *improve efficiency* in order to get a satisfactory return.

A further £32m will be spent on a restructuring programme already in progress at Burger King, the hamburger chain, and £20m on cutting corporate costs.

Charges of £28m relate to a further reduction in the group's property portfolio. The properties – put up for sale in June – include the former Truman Brewery in London's Brick Lane. They are expected to generate more than £60m of cash, helping to keep the net cash cost of the whole restructuring package to less than £100m.

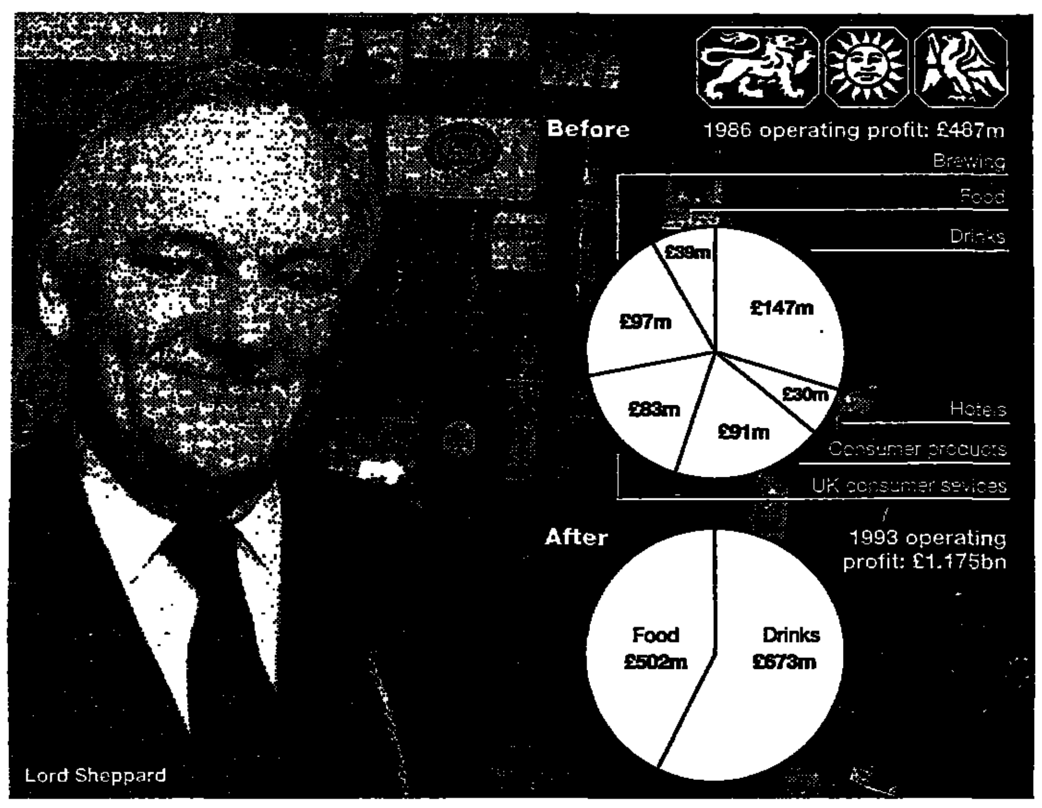
GrandMet said yesterday that before exceptionals, restructuring and tax, profits for the year to end this month would "show improvement over last year", when it reported *pre-tax profits* of £630m after £286m of charges. Free cashflow – £549m last time – had "remained strong".

The exceptional £200m profit from the sale of the Alpo petfood business to Nestlé will be recorded in the 1994-95 accounts. Alpo, which has net assets estimated at $150m, is expected to make a trading profit of $47m for the year ending this month on sales of $430m.

Nestlé, the world's biggest food group, is paying $510m for Alpo, the seventh largest operator in the competitive US petfood market.

The deal, which could make Nestlé market leader in US dogfood, is subject to review by the US Federal Trade Commission.

Editorial Comment, Page 21; Lex, Page 22; Observer, Page 21



Lord Sheppard

UAP takes full control of Colonia in DM1.2bn deal

By David Buchan in Paris

Union des Assurances de Paris yesterday announced it was mounting a DM1.2bn ($780m) deal to pay Oppenheim, the private German group, for its minority stake in a holding company in order to give the French insurance group 100 per cent control of Colonia, its German insurance subsidiary.

In a complex financial deal, UAP has been able to reduce the amount of cash paid to Oppenheim by exploiting Westdeutsche Landesbank's desire to raise its stake in the French insurance company.

UAP will finance the deal 45 per cent in "quasi-own funds" or bonds convertible into shares, 33 per cent in ordinary bonds and the remaining 22 per cent in cash.

Last October UAP and Suez, the French financial group, swapped their insurance holdings. Suez gained Victoire's French insurance subsidiaries, and UAP took Victoire's 78.8 per cent stake in Vinci, a specialist holding company controlling various European insurances companies notably Colonia, the third largest German insurer with DM8.8bn worth of business a year. The remaining stake in Vinci was held by the Oppenheim family, who had earlier sold out control to Victoire.

"With the Oppenheims having a 'put' or option to sell their stake, it was always clear that if they exercised it we would try to buy the stake," said UAP, adding that "the only question for us was how to minimise our cash outlay".

UAP's opportunity arose when it was privatised earlier this year. Westdeutsche Landesbank joined the "noyau dur", or core of institutional investors organised by the French government. Like other core investors its stake was scaled back to 2.2 per cent by the French government, but the regional German bank wanted a higher stake.

By putting up FFr482m ($92m) to buy bonds convertible into UAP shares – thereby providing the French group with cash to pass on to the Oppenheim group – the German bank will now see its stake in UAP rise to 3 per cent.

One third of the Oppenheim group's DM1.2bn stake will be paid for in bonds convertible into shares in the year 2000, one third in ordinary four-year bonds redeemable in cash, and one third in cash.

This will leave the Oppenheim group with a 2.5 per cent stake in UAP.

Debt holders offered new terms in Heron rescue

By Simon Davies in London

Holders of £378m ($599m) of debt in Mr Gerald Ronson's property group Heron International were yesterday offered £142m of cash, or the chance of taking a stake in the group which could continue to be run by Mr Ronson.

HNV Acquisition, which is controlled by US entrepreneur Mr Steven Green and has Mr Rupert Murdoch and Mr Michael Milken's family trusts as backers, yesterday released details of an offer, which will give it at least 51 per cent of the group.

This follows the collapse of the £1.4bn bank restructuring finalised last September.

Mr Green has proposed that the day-to-day management continues under Mr Ronson's guidance and that he remains an executive director, but no employment terms have been agreed.

The board of Heron stated that "it is highly probable that failure to implement the proposed offers will result in receivership and/or the instigation of bankruptcy proceedings in some or all group companies".

Both the board and the company's bankers have concluded from separate studies that the rewards of receivership would be substantially lower.

Mr Basil Vasiliou, chairman of Vasiliou & Company, which speaks for a large number of non-bank bondholders, welcomed the offer as "extremely positive". It follows what has effectively been a two-year receivership that has cost Heron about £50m.

HNV is offering £450 or 300 HNVA shares for every £1,000 of senior debt, £60 cash or 40 shares for every £1,000 of junior debt, and £7.50 or five new shares per old Heron share. HNVA is committed to achieving a listing in the future, but the banks are likely to take cash, and Mr Green is expected to be left with at least 70 per cent of the company.

The announcement was accompanied by Heron's profit figures for the year to March, in which the group made an operating loss of £6.8m, against a profit £30.2m.

BK Vision wins rights case

By Ian Rodger in Zurich

BK Vision, the investment company controlled by Mr Martin Ebner's BZ banking group, has won a landmark court challenge against a Swiss company's attempt to reduce shareholder rights in issues of new equity capital.

Union Bank of Switzerland, in which BK Vision is the largest single shareholder, last year won approval from its AGM to create pools of equity capital that could be used at the board's discretion for acquisitions or equity linked bond issues without seeking further authorisation from shareholders or respecting their pre-emptive rights.

BK Vision claimed that a new Swiss companies act, which came into force in 1992 and authorised the creation of these pools of capital, required that companies specify to the AGM the purposes for which they would be used.

The panel of five commercial court judges agreed that neither the capital nor the voting rights of shareholders could be withdrawn, even by a majority AGM vote, unless it was for a specified purpose.

The court made clear that it understood that the purpose could not always be disclosed in detail, as for example, in the case of a large acquisition. However, guidance had to be given.

After the new companies act came into force, several quoted Swiss companies drew up resolutions creating pools of authorised and conditional capital and had them approved by their AGMs.

The court did not say that these resolutions, none of which were challenged within the time limit allowed by the law, were void. Its judgment applies only to UBS and, if it is not overturned on appeal, as a prescription.

General Mills suffers cereal setback

By Tony Jackson in New York

General Mills, one of America's biggest producers of breakfast cereals, suffered a 21 per cent slump in cereal sales volume in its first quarter to August 28. The company blamed supply disruptions during the summer, when it discovered it had been using in its cereals oats treated with an unauthorised pesticide.

General Mills said the costs, which obliged it to throw away some 50m boxes of cereal, had been included in last year's results. However, cereal production, suspended in June, had not been fully resumed until the second half of July. That had affected first-quarter sales and profits both.

The company said that shortage of product had caused its share of the $9bn US cereal market to fall from 29 per cent to 24 per cent in the quarter. However, trade inventories were now normal and full marketing support had resumed. Sales were ahead of budget, the company said, and a "resumption of earnings momentum" expected.

Net income for the quarter fell 9 per cent from $1.04 per share to $0.95, on sales down 5 per cent at $1.98bn. Excluding the cereals operations, the company said, earnings were up 8 per cent on the year before. Volume of its Betty Crocker products, excluding snacks, had risen 8 per cent.

Restaurant sales were up 6 per cent in the quarter, but operating profit was virtually flat. General Mills' shares rose $⅝ to $56¼ in early trading.

Political uncertainty holds sway in Italy

Budget discussions may cloud the forthcoming results season, reports **Andrew Hill**

The Italian stock market, like Italian newspaper headlines, sometimes seems to be just a noisy approximation of what is really happening. Milan's principal equity indices are no higher now than they were on the eve of the country's mould-breaking general election in March, in spite of the fact that Italy's quoted companies are about to publish evidence of real economic recovery in their half-year results.

The main reason is that this year's Italian results season – although it will be the first for two or three years to bring predominantly good news – coincides with nervousness about the economic plans of Mr Silvio Berlusconi's government. Investors are preferring to focus on cabinet discussions of the country's budget for 1995, which must be completed by the end of the month.

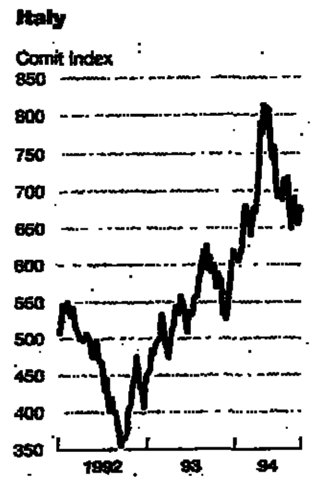
As one analyst puts it: "The political uncertainty will prevail over the markets. It looks like any investment in Italian financial assets – lira, bonds or equities – has a precondition, and the precondition is: a good 1995 budget."

Privately, Italian entrepreneurs are frustrated by investors' emphasis on the fragile political situation. Whatever happens to the government, the news coming in from subsidiaries looks good, they say.

Italian companies' half-year figures are difficult to forecast, and tricky to interpret. They are unaudited and usually published before tax, a notoriously unpredictable element in full-year results. There is room for some companies – financial and banking groups in particular – to exercise a certain amount of discretion about what they declare at the half-way stage.

But there is a consensus among analysts that the big industrial companies will show in the next fortnight how they are reaping the rewards of restructuring, and, at last, making the most of a weak currency. "Exporters are doing extremely well, and the recent weakness of the lira is helping this," says Ms Sophie Blanpain, equity strategist with Credit Suisse First Boston in London.

Italy



Source: FT Graphite

Four of Italy's biggest quoted industrial groups – Montedison, Fiat, Pirelli and Olivetti, for example – all recorded large net losses in 1993. But their interim results should demonstrate a marked improvement in trading, which is likely to be reflected also in the performance of smaller manufacturers, often dependent on the giants for their livelihood.

Montedison, the chemicals, energy and agro-industrial group, has already announced a return to interim pre-tax profits for the first time since 1991. On Friday, the group, which came close to collapse last year, reported a pre-tax profit of L289bn ($185m) in the first half against a loss of L369bn in the equivalent period. The shares rose by 5 per cent immediately after the news was announced, although they slipped back later in the day.

Fiat, the automotive and industrial group which last year recorded the biggest loss of its history, is expected to demonstrate towards the end of this month that it is on its way to making a profit in the full year, as forecast by Mr Gianni Agnelli, chairman, at the group's annual meeting in June. The domestic market is still sluggish, in spite of the impact of the new Punto, now Italy's best-selling car, but the company has still managed to increase its market share in Italy and boost exports because of the weak currency.

Recession has forced both Fiat and Pirelli, the cable and tyre manufacturer, to restructure. Pirelli, which should produce its results at the beginning of next week, reduced debt from L4,000bn in January 1992, to L2,000bn by June this year, closed 22 of the 102 factories in its core business and cut its workforce by 20 per cent to 40,000. Again, the half-year results should demonstrate that the group is on the way to its target of a return to net profit in 1994.

The recovery at Olivetti, the computer group, is more fragile. Its half-year results, which will be published on Thursday, are likely to be marred by large trading losses on the group's investment portfolio. But although there is still some doubt about whether the company will take restructuring charges for 1994 in the first or second half, many analysts expect Olivetti to break even at the operating level in the first six months.

The news is likely to be less good in the banking sector – hit by trading losses, particularly on the bond market – and for those construction and cement companies which are still suffering from stagnation in the building sector. But even here, analysts point out that companies such as Unicem – the cement manufacturer which is part of the Agnelli family's empire – have reduced their costs substantially during the two to three-year downturn.

So far, the Italian business community has been notably cautious in its judgment on Mr Berlusconi, perhaps partly out of respect for an entrepreneur-turned-prime minister, partly out of residual optimism about what is, in effect, Italy's first pro-business government since the war.

What they now want to see is a strong effort by the government to match their hard work in cutting costs and restructuring for a recovery, for example by keeping taxes down and pursuing its initial proposals on labour market flexibility and investment incentives.

When the 1995 budget is tabled at the end of this month, it will not deliver Italy "into paradise or hell," as one analyst puts it, but it should provide the first indications of whether Mr Berlusconi is going to fulfil his part of the bargain with business.

France Télécom in MTS stake

By John Ridding

France Télécom, the French state-owned telecoms operator, yesterday took a further step in its international expansion, announcing it would take an 11 per cent stake in MTS, a Russian mobile telephones joint venture.

The stake in the Russian venture also represents a strengthening of France Télécom's alliance with Deutsche Telekom, the German operator from which it will buy the stake.

After the sale, Deutsche Telekom will have a 28 per cent stake in MTS.

MTS, which holds a 10-year exclusive operating licence for mobile communications in the Moscow area, is 51 per cent owned by Russian interests. These include MGTS, Moscow's public telecoms operator.

The joint venture, which plans to invest about $90m in the Moscow mobile communications network, launched operations in July. It has about 2,000 subscribers for its GSM systems, a digital radio telephone system used by about 60 countries.

France Télécom is present in Russia in fixed telephone communications. Since 1992 it has jointly operated a network in Kaliningrad.

Last year, it signed an agreement to help modernise the Russian telephone network.

● M6, the French television station which is due to be floated later this month, should record profits of about FFr300m ($57m) this year, compared with FFr229.8m in 1993, according to Mr Nicholas de Tavernost, managing director.

The flotation is due to take place on September 28 at a price of FFr260 per share.

Lyonnaise des Eaux, the utilities and communications group, which is one of the television station's controlling investors, intends to list at least 10 per cent of the shares in M6.

Lyonnaise des Eaux currently holds 28.6 per cent of the shares, the same stake as CLT, the Luxembourg media group.

Rental group directors insist chief should stay

By Simon Davies

The directors of Central Transport Rental Group (formerly Tiphook, the failed international container leasing group) have examined the details of chief executive Mr Robert Montague's complex personal finances, including an estimated £30m ($46.5m) of debt, and are committed to his remaining with the company.

Following last Thursday's revelation that the Royal Bank of Scotland had issued a bankruptcy petition against Mr Montague, the Tiphook founder has refused to explain any difficulties concerning the £2.3m bank loan.

The directors and newly-appointed chairman Mr Ian Clubb, have analysed his situation. Mr Clubb stated his continued commitment to Mr Montague.

Commerzbank and Barclays Bank, which have the largest exposure to Mr Montague's debts, have both remained silent about their intentions.

However, RBS has yet to present the petition to Mr Montague, and sources at CTRG remain confident that he will remain solvent.

Regardless of the outcome, however, the crisis will put greater strains on CTRG's struggle to survive with around £520m debt.

HungarHotels contenders line up

By Virginia Marsh in Budapest

American General Hospitality, a privately-held US company, and Intercontinental Hotels, the Japanese-owned hotel group, last night emerged as the top contenders for a 51 per cent stake in HungarHotels, Hungary's last state-owned hotel chain to come up for privatisation.

The State Property Agency, the privatisation body, said three of the five companies invited to participate in yesterday's tender had put in valid bids.

Analysts said American General, which operates 91 hotels in the US, and Intercontinental, which has wide experience in the former Soviet bloc, were the favourites to win.

HungarHotels has registered share capital of Ft9bn (US$83.3m) but the sale of the 51 per cent stake is expected to net around US$60m.

HungarHotels owns 15 hotels in Hungary, including eight in Budapest and two on Lake Balaton, the country's most popular summer tourist destination. It owns 45 per cent of four star hotel capacity in Budapest, including the Hotel Forum situated on the River Danube in the centre of the city which is one of central Europe's most visited tourist and business locations.

The chain made net profit of Ft6.3bn last year and is projecting net profit of Ft6.6bn for 1994. Room occupancy averaged 53.7 per cent last year and is expected to increase to 57 per cent this year.

Dallas-based American General, which was founded in 1981, has a track record in turning around loss-making or under performing hotels. The company, which had turnover of US$300m last year, does not operate hotels under its own name but appoints franchise partners for its hotels. In the US, it works with chains such as Marriott, Sheraton, Hilton and Holiday Inn.

The company said it believed its management could add "a lot of value" to HungarHotels and that it was keen to establish a presence in the European market. Presently, the company only operates in the US.

Intercontinental has worked in the region since the 1960s. It runs the Hotel Forum through a local franchiser and until last year had a similar agreement with the Duna Intercontinental, now the Marriott.

Intercontinental said, if successful, it would manage directly just four hotels in the chain. It would leave the remainder with their existing management which it would train. A condition of the tender is that the successful bidder would not be able to sell off any of the 15 hotels for three years.

The SPA is due to launch a public offering for the remaining 49 per cent once the majority stake has been sold.

Kemira aims to raise FM1.5bn in share offer

By Christopher Brown-Humes in Stockholm

Kemira, the Finnish state-owned chemicals group, said yesterday it hoped to raise between FM1.5bn ($305m) and FM2bn through an international share issue to be launched next month.

The offer, as part of Finland's biggest ever initial public offering, will cut state ownership in the group from 100 per cent to as little as 71 per cent in line with the government's privatisation programme. It will be accompanied by a listing of Kemira's shares on the Helsinki stock exchange.

Kemira said proceeds would be used to cut its FM8bn net debt and strengthen its equity-to-assets ratio from a weak 15 per cent to about 25 per cent.

The group will offer a total of 30m ordinary shares at a nominal FM10 each, with an option to increase the size of the issue by 5m shares if demand is strong. The bulk of the shares will be offered to international institutions, with the balance being subscribed by Finnish institutions and retail investors.

Many of Kemira's businesses are starting to benefit from cyclical economic recovery and it returned to the black last year after two years of losses following an extensive cost-cutting programme. The group's biggest division includes fertilisers and it has important niche positions in pulp and paper chemicals, water treatment chemicals and titanium dioxide pigments.

Mr Heimo Karinen, Kemira's chief executive, said: "Kemira's profitability and competitiveness have substantially improved following the restructuring of its operations in the last few years. The equity issue will further strengthen the group's financial position and enable us to take full advantage of the recovery that is seen in the chemical industry."

The offer will be launched after publication of eight-month figures on October 10 with final pricing being fixed in the week of October 31.

McDonnell missile operation in doubt

By Bernard Gray

McDonnell Douglas, the US aerospace company, faces a difficult decision about the future of its missile business following its failure to get the "winner takes all" contract for up to $2bn of Tomahawk cruise missiles from the US Navy.

The hard realities of consolidation in the US defence business were underlined by Hughes, the winner of the competition, which put its success down to the cost savings it has generated since buying General Dynamics' missile business two years ago. Hughes has rationalised the two companies' operations and moved them all to a single site in Tucson, Arizona.

McDonnell Douglas had put its missile operations up for sale 18 months ago but pulled it off the market because it considered offers inadequate. Now it is waiting for a debriefing at the Pentagon which will explain why it lost the Tomahawk competition before deciding what to do next.

The company has work on the Tomahawk from previous competitions which will last until mid-1995. McDonnell could also bid for a small contract to supply the UK with 100 Tomahawks, but there is no other potential work pending.

As a result, the future of the factory at Titusville, Florida, which employs 1,300 people on Cruise, must now be in doubt. Another 400 are employed on the programme at the company's headquarters in St Louis, Missouri, but they produce ship-based control systems which were unaffected by the missile competition.

Elsewhere, McDonnell's ship-launched Harpoon and the stand-off SLAM missile are relatively small contracts and its main development work is on the JDAM smart bomb. That may not be sufficient to maintain a viable missiles business in the rapidly shrinking US defence market.

In theory, McDonnell Douglas could add to its missile operations, but it is much more likely that the company will decide to sell to another missile maker. Hughes, which bid for the business last year, may be less interested now that it has become the sole supplier of Tomahawks. Other potential buyers, such as Northrop Grumman or Lockheed Martin, may still be interested, but the price is likely to be even less than the $300m reportedly offered last year.

For Hughes, winning the contract has fewer consequences, though it will be able to develop Tomahawk for the next generation of cruise weapons.

Coca-Cola sales exceed estimates for third quarter

By Richard Tomkins in New York

Coca-Cola, the US soft drinks group, yesterday announced its third-quarter volume estimates ahead of third-quarter results because it said the figures "significantly exceeded" stock market analysts' projections.

The volume of soft drinks sold in international markets was expected to be 14 per cent ahead of last year, the company said, and in the US domestic market, 5 to 6 per cent ahead. Worldwide volume was expected to rise by about 12 per cent.

For the first nine months of the year, volumes were expected to be 10 per cent higher internationally and 6 per cent higher in the US, making a total of 8 per cent worldwide.

Analysts had been predicting a jump of 25 per cent in earnings per share, to 55 cents in the third quarter, reflecting a favourable comparison with last year's weak figures, and Coca-Cola said it was "comfortable" with this. The shares were up $1¼ to $49 at midday.

Coca-Cola's large increase in volumes comes at a time when the company is facing competition from private label colas in some markets, particularly Canada and the UK. But the company said in-roads by private label manufacturers had been more than outweighed by volume increases elsewhere.

Last week, Royal Crown, a US private label cola company, announced that it had signed a long-term agreement with Consorcio Aga, the largest independent bottler in Mexico, under which Royal Crown would replace PepsiCo, the US soft drink and food group, as Consorcio Aga's cola supplier.

Macintosh licensing scheme from Apple

By Louise Kehoe in San Francisco

Apple Computer plans an expansion through the phased licensing of its Macintosh personal computer software to other PC companies.

Initially, Apple will license its core "Mac OS" and elements of its PowerPC hardware design which until now has been unique to its own PC products, to companies that are not direct competitors. These will include companies where Apple has limited distribution; and those whose technical expertise can add value, such as making computers for specific applications.

Already "about six companies" have signed licensing agreements, Apple said, but refused to identify the licensees other than to say that they are equally divided between the US, Europe and Asia.

Industry analysts have speculated that some of Apple's direct competitors, including IBM, might be interested in licensing the Macintosh software if the terms were favourable.

Apple's failure to license the Macintosh software in the late 1980s is seen by critics as a serious strategic blunder because it allowed Microsoft, the world's largest software company, to establish its Windows PC operating system as the industry standard, and industry analysts said Apple's move now is "too little, too late". Apple's share of the PC market has slipped to about 10 per cent in the face of intense competition from companies such as Compaq Computer offering PCs with Windows software.

IBM pins PC hopes on new home-use products

By Louise Kehoe

International Business Machines (IBM) is pinning its hopes of regaining leadership of the personal computers market on its new products aimed at home users.

The Aptiva multimedia PC is the first of three new product lines that IBM is preparing for market. Two more are expected next month.

The products will be backed by the company's biggest ever advertising campaign, a spend of $100m over the next three months, with $20m dedicated specifically to Aptiva.

The marketing blitz is designed not only to boost sales but also to help IBM to rebuild its image as an industry leader. Over the past six months IBM has slipped to fourth place in US PC sales from first place last year, overtaken by Compaq Computer, Apple Computer and Packard Bell.

Mr Lou Gerstner, IBM chairman, this year hired Mr Rick Thoman, a colleague at RJR Nabisco and American Express, to reinvigorate its PC operations. The product lines will be the first test of his new approach to PC marketing.

The Aptiva PCs are aimed at the growing consumer market, and follow last week's launch by Compaq Computer of a new line of consumer PCs. IBM is offering a wider price range than Compaq, from about $1,200 to $2,600, including two models based on Intel's highest performance Pentium microprocessors. Intel last week began its own $80m consumer-oriented advertising campaign for Pentium-based PCs.

The Aptiva range includes multimedia capabilities, such as a CD-ROM player and speakers, as standard. It can also take telephone messages or receive a fax, "waking up" when the telephone rings, whether or not the machine is turned on.

A "scheduler" also allows the home PC user to program the Aptiva PC to turn itself on and perform pre-selected functions, such as playing a music CD or sending fax messages overnight.

Family feud dulls edge of Gillette's Indian ambitions

The US-based multinational's plans for its largest untapped market are faltering, writes Shiraz Sidhva

A year after Gillette was given permission by the Indian government to acquire a stake in Harbanslal Malhotra and Sons (HMSL), India's biggest razor blades manufacturer, the US-based multinational's ambitious plans for the sub-continent have been stalled by a family feud and protracted legal battle.

At the heart of the dispute is a growing fear and resentment among Indian industrialists that the government's reform programme, introduced three years ago, has made it too easy for multinationals to establish themselves in the Indian market by buying up the most successful local businesses.

Last year, Coca-Cola bought Parle Exports, India's largest soft drinks manufacturer, and Procter and Gamble acquired a stake in Godrej Soaps to consolidate its presence in the Indian detergents market. More recently, Whirlpool, the US white goods giant, has bought Kelvinator India, one of the country's most established refrigerator manufacturers.

Gillette has identified India as one of three chief markets (with China and Russia), in which it will expand all its businesses – Gillette shaving systems, the Oral-B dental care range, Braun home appliances, and Parker writing equipment – during the next decades. The company will invest \$50m to \$60m in 1994-95, and is carrying out extensive market research in the country.

Gillette has had a presence in India's Rs2.5bn Indian razor blades market since 1986. India's reforms programme only encouraged the company to expand in what it considers the world's largest market, with a vast untapped potential.

Last year, the company increased its 40 per cent stake in Indian Shaving Products, a joint venture with the Calcutta-based Poddar group, to 51 per cent.

Although the Indian company enjoyed an 18 per cent market share, its success was confined to the upper end of the shaving systems market, which accounts for a mere 3 per cent of the total market of 47.2bn units a year. To enter the fast-expanding lower end of the Indian blades market, Gillette decided to link up with its main Indian competitors, the Malhotras, who control over 55 per cent of the blades market.

"Out of 20bn blades sold in the world, 7.8bn are in the lower segment of the market," says Mr Gurbrinder Singh Gill, director for strategic projects at Gillette International and head of Gillette's India operations. "We cannot produce cheap blades because of our high R&D costs. An alliance with the Malhotras will help us establish ourselves in all the segments, and then we will be in a position to considerably widen the market."

Gillette estimates that more than 700m Indians use cut-throat razors instead of blades, and could be persuaded to use more modern shaving systems in time.

Last October, the government's Foreign Investment Promotion Board cleared Gillette's proposal to pay \$20m for a 26 per cent stake in NVI Engineering, a Malhotra group company which manufactures blade-making machinery. But Mr Rajinder Malhotra, who with his sons owns 33 per cent of HMSL, the Rs800m flagship company, contested the deal, saying his two elder brothers Ved Prakash (who has retired due to ill health) and Surinder Nath (who runs the business), were selling their stake to Gillette without his knowledge. He claims that his brothers have valued HMSL at Rs600m while he believes it to be worth at least Rs15bn.

Mr Rajinder, who with his sons owns Vidyut Metallics, a local blades maker withabout 27 per cent of the market, fears that apart from the dilution of the stake in HMSL he inherited from his father, his Rs1bn-a-year turnover company would find it hard to compete with Gillette once it collaborated with his two brothers.

If Gillette acquired a 49 per cent stake in HMSL, it could gain an annual production capacity of 1.5bn blades, the capacity of two HMSL plants in Calcutta. If the capacities of other HMSL subsidiaries, Malhotra Shaving Products and Centron Industrial Alliances, were added, Gillette could increase its capacity to 2.4bn blades. Since Gillette already has a controlling stake in Indian Shaving Products, it could control 75 per cent of the Indian blades market.

In August last year, before the government granted permission for Gillette to acquire the Malhotra stake, Mr Rajinder asked the Company Law Board to intervene over the negotiations between Gillette and his brothers. The Law Board ordered HMSL not to proceed with the collaboration without the approval of all the shareholders of the company, but this was subsequently set aside when the elder brothers appealed to the Calcutta High Court.

Mr Rajinder also moved to the Delhi High Court, challenging the Foreign Investment Promotion Board's right to grant permission to Gillette to expand its business in India. he alleged that the government had not evolved clear criteria and principles for processing such applications. He claimed Gillette had suppressed important facts about the tie-up, and that the company was importing obsolete machinery which it already possessed. Gillette, he said, was not ready to bring in sophisticated sensor-blade technology, but the price of razor blades would increase sharply once Gillette established a market monopoly.

A final decision is expected to be delivered by the Delhi High Court on October 4.

The Supreme Court was moved to set aside a stay the elder Malhotras acquired from the Calcutta High Court, and the final hearing in the Delhi High Court is posted for October 4. Mr Rajinder was also keen to get HMSL's shares evaluated the Indian company's shares, saying his brothers had grossly undervalued the company at Rs600m, while he estimated the company to be worth Rs15bn.

Meanwhile, Gillette is scouting for partners to enter the writing instruments market, and the home appliances and the dental care market.

BB Biotech increases net asset value 16%

By Ian Rodger in Zurich

BB Biotech, a start-up investment company specialising in biotechnology securities, has raised its net asset value 16 per cent to SFr2,493 (\$1,953), in the four months from the end of April to the end of August.

The company already has one of the largest biotech funds in the world with an investment volume of SFr487m.

It has concentrated on the securities of only five US companies since its start-up last November, and has outperformed the CBOE Biotechnology Index by 25 per cent.

BB Biotech raised SFr325m in its initial public offering of shares in Zurich and a further SFr150m in February through a free warrants rights issue. It is managed by Bellevue Asset Management.

Almost two thirds of its funds are in Biogen and Genentech, with the remainder in Amgen and a small new stake in Affymax, a California-based leader in combinatorial chemistry. Its position in Alza, the drug delivery system specialist, has been sold.

Jardine Matheson 24% ahead at halfway

By Louise Lucas in Hong Kong

Jardine Matheson, the trading conglomerate which is to delist from the Hong Kong stock exchange at the end of the year, lifted first-half net earnings to US\$215.8m from US\$173.8m in the same period last year.

The rise was partially fuelled by a 44 per cent profits jump at Jardine Fleming, the brokerage jointly owned with UK merchant bank Robert Fleming. Its after-tax profit was US\$111m, half of which accrues to Jardine Matheson, against US\$77m in 1993.

However, directors warned that Jardine Fleming will be hard pressed to match last year's second half which triggered a 168 per cent rise in net earnings to US\$202m.

Earnings per share, taken on a fully-diluted basis, rose 23 per cent to 36.69 US cents from 29.79 US cents, and directors are recommending an interim dividend of 7.80 US cents a share, an improvement of 15 per cent over last year's 6.80 US cent payout.

The results were in line with expectations. Henry Keswick, chairman, said the outlook for the full year is for satisfactory earnings growth.

Among affiliates and operating divisions, Jardine Pacific's earnings rose 7 per cent to US\$86m with the trading and distribution arm helped by a pick up in Hong Kong and slight recovery in the wines and spirits business in Japan.

Trading profit in the engineering and construction division declined despite strong performances from Jardine Airconditioning, Jardine Schindler and Gammon, due mainly to the reduction in the group's interest in Jardine Schindler and to lower sales by Pacific Machinery.

Jardine Strategic, in which Jardine Matheson has a 55 per cent attributable interest, contributed US\$84.3m, an increase of 53 per cent. This was partially lifted by swollen interests in the group and two of its affiliates, Dairy Farm and Mandarin Oriental.

Last week Jardine companies announced they will follow Jardine Matheson and Jardine Strategic and de-list from the Hong Kong stock exchange, essentially over concerns at the post-1997 administration. The news, broadly expected, coincided with an attack by China on the group calling for its removal from the proposed Container Terminal 9 project, which Beijing has yet to approve.

Japan Tobacco attracts buyers

By Emiko Terazono in Tokyo and agencies

Individual investors showed strong interest in buying Japan Tobacco shares when they are listed on Japan's eight stock exchanges on October 27, though foreigners appeared less keen.

The ministry of finance, which will announce winners in the lottery for shares on October 4, said yesterday that Japan Tobacco attracted buy applications for 21.15m shares against 436,666 shares available, with individuals accounting for 21.05m.

Foreign investors applied for only 4,764 shares, and institutional investors for 85,835, the ministry said. A Japan Tobacco employees' shareholding group sought 7,000.

In spite of the large number of subscriptions, however, many analysts are bearish over the demand for Japan Tobacco. Some imply that intensive sales by brokers could have pushed the number of subscriptions higher than genuine demand since a single investor was allowed to place orders for up to 9,999 shares, but is not obligated to buy them even if they win the lottery.

"Given what happened with Japan Telecom, there's a lot of anxiety with foreign investors towards new issues," said Ms Patricia Horvath, analyst at UBS Securities.

Japan Telecom shares have performed poorly since their listing on September 6, closing at Y4.13m yesterday against their first traded price of Y4.7m.

Shares of Nippon Telegraph and Telephone will be listed on the New York Stock Exchange on September 29, NTT said in a statement, Reuter reports from Tokyo.

The shares will be traded as American depositary receipts (ADRs) with NTT issuing 200 ADRs for one share. NTT also said it planned to list its shares on the London Stock Exchange in October.

NTT announced back in July that it intended to list the shares on NYSE.

Shareholders approve Coles buy-back plan

By Nikki Tait in Sydney

Shareholders in Coles Myer, one of Australia's largest retailers, yesterday approved the company's plans to buy back 21.45 per cent of its equity, for A\$1.26bn (\$920m). The shares are currently held by Kmart, the US discount and specialty store operator.

Coles had run into criticism because the price at which the buy-back is due to take place had been pitched at A\$4.55 a share – a significant premium to the recent market price, which closed 1 cent higher at A\$4.02 yesterday. Some shareholders were also concerned about the A\$28m fee Coles was obliged to pay Kmart in the event that the deal did not go ahead.

At the meeting, in Melbourne, Mr Lawrence Gruzman, a shareholder and well-known dissident at Coles, spoke out against the plan. But two motions for the deal were approved.

The first, concerning Coles's plan to buy back 129m shares, or just under 10 per cent, directly and to cancel these was passed with 93 per cent of voting shareholders in favour. The second motion, which permits Coles to acquire a Kmart unit that holds the remaining shares, passed on a show of hands.

INTL COMPANIES & CAPITAL MARKETS

China urged to develop funds

By Tony Walker in Beijing

China was urged yesterday to speed the development of mutual funds with foreign involvement to stabilise its fledging stock markets, which have been subject to wild fluctuations in the past year.

Mr Robin Fox, vice-chairman of Kleinwort Benson, told an investment seminar in Beijing organised by the China-Britain Trade Group that one way to bolster China's markets was to "promote properly authorised savings vehicles".

Adding to the volatility of China's equities markets has been the fact that inexperienced individuals seeking short-term speculative gains make up the bulk of investors.

China announced recently that it was considering allowing foreign securities houses to form joint ventures with Chinese institutions to invest in the A-share market, presently closed to foreigners.

Mr Fox said there was a wealth of experience available among foreign securities companies in joint venture arrangements with local firms. Kleinwort Benson, for example, was engaged in such ventures in India, Korea, Taiwan and Japan.

"The foreign joint-venture partner would be more able to overcome conflicts of interest as well as resisting local pressure to invest in particular industries or companies," Mr Fox said.

"The main investment goal of the funds I am recommending would be to invest in quoted Chinese companies to help in the development of domestic stock markets, but I would expect them also to participate in the bond market, possibly by investing a stated percentage of each fund in government bonds."

Mr Fox said merchant banks and foreign securities companies were also well placed to assist China in its present phase of rapid economic development requiring large amounts of capital, especially for infrastructure projects.

British investment banks were "ideal partners" for projects which required creative approaches in evaluating the financial viability of a project, and seeking ways in which risk could be minimised.

There was also a substantial exercise, Mr Fox said, in looking at alternative sources of equity and debt finance, negotiating the construction and other contracts to maximise the risk taken on by the contractors, and also maximise the project finance that does not appear as a direct liability of the promoters of the projects.

Other speakers included Lord Alexander, chairman of the National Westminster Bank, who urged his Chinese audience to take advantage of the "skill base" offered by London's commercial banking system.

These skills, he said, include assistance in the development of the Chinese securities industry, corporate finance, direct investment channels and fund-raising for privately financed infrastructure projects, such as power stations and toll roads.

Ruling casts doubt on eurobonds

By Antonia Sharpe

Bankers fear London's reputation as a leading international financial centre could be severely dented unless an inadvertent restriction on UK insurance companies' holdings of corporate eurobonds is reversed swiftly.

UK insurers are not allowed to have more than 10 per cent of their assets in unlisted securities, the definition of which was revised earlier this year when UK insurance industry legislation was amended to include the European Union's third life directive.

The Department of Trade and Industry now classifies listed assets as those regularly traded or traded on a regulated market. Since the International Securities Market Association (Isma), the eurobond market's association, has chosen not to be a regulated market but a designated investment exchange, corporate eurobonds are unlisted securities in the eyes of the DTI.

Eurobonds issued by sovereign or supranational borrowers are not affected by the ruling because they have been classified by the EU as approved assets for insurers.

Mr Richard Regan, head of investment affairs at the Association of British Insurers, said the new ruling was not a major problem since he was not aware of any insurers being close to this limit. The DTI had also indicated it would grant dispensations if individual insurance companies applied.

A DTI official confirmed that it had received representations and that it was considering whether to relax the restrictions on traded corporate debt instruments.

However, Mr Simon Ellen, chairman of Isma's committee of reporting dealers, said a change in the legislation was required to prevent a serious impact on the eurobond market where UK insurers have become big investors in recent years.

Discretionary forex group formed

By Nicholas Denton

The foundation of a new treasury management company has provided the latest indication of a shift away from the use of automated trading programmes in the foreign exchange market.

Mr Richard Hill, former head of proprietary foreign exchange trading at Barclays de Zoete Wedd, has joined with two senior dealers from other firms to form Tigon Treasury Management.

TTM is responding to what it sees as the growing demand for "discretionary" foreign exchange management, whereby managers rely on their experience and judgment, and take views on changing markets.

"We have definitely noticed an increase in the appetite for discretionary-based traders," said Ms Nicola Meaden, managing director of Tass Management, a company which tracks the performance of fund managers.

The growing fashion in both forex and bond markets for an approach based more on human judgment comes in response to the mixed performance of the "black boxes". These programmes and models lie at the heart of what is generally known as systematic trading.

They performed well for much of 1993 but have slipped back badly this year. While the average currency fund fell just 1.38 per cent in the first six months of 1994, systematic traders dropped 24.2 per cent, according to Tass Management.

TTM expects to raise its initial allocation of between $40m and $50m from smaller companies and banks which do not have the resources to attract foreign exchange professionals and establish professional in-house teams.

Mr Hill estimated there were only three or four competitors in discretionary forex management.

NEWS DIGEST

Expansion at Nampak

South Africa's largest packaging company, Nampak, has announced plans for a R130m ($37m) expansion to its beverage can manufacturing plant in Springs, outside Johannesburg, writes Mark Suzman in Johannesburg.

The new operation will double the plant's capacity to 1.1bn cans a year.

Pancontinental drops suit

Pancontinental Mining has dropped its court action against PosGold Investments, part of Mr Robert Champion de Crespigny's Normandy Poseidon group, and various other parties, over the acquisition of certain shares in Aztec Mining, writes Nikki Tait in Sydney.

BZW commodities trust prospectus

The pathfinder prospectus for the BZW Commodities Trust was published yesterday. The offer price is 100p per ordinary share and warrants are attached to the shares on a one for five basis, writes Antonia Sharpe.

There is a minimum investment of £5,000. The offer closes on October 20 and dealings commence on the London Stock Exchange on October 27.

Singapore cashes in on ringgit turmoil

By Kieran Cooke in Kuala Lumpur

Singapore's money market dealers are reaping the benefits of continuing fluctuations in exchange rates of neighbouring countries' currencies, particularly that of the Malaysian dollar, or ringgit.

Dealers say that the daily ringgit trading volume in Singapore, both on the spot and forward markets, is now regularly more than US$3bn – five times the level of a year ago.

There has also been a great deal of activity in other south-east Asian currencies, particularly in the Thai baht and the Indonesian rupiah, mainly because of interest rate differentials between the two currencies and the US dollar.

"We estimate that trading in south-east Asian currencies – the so-called exotics – now accounts for between 15 and 20 per cent of daily money trading here," says the head of one foreign bank's dealing operations in Singapore.

"Increasingly, the banks are looking to make good forex profits on the exotic currencies. Ringgit trading in Singapore has gone through the roof – on many days it's well ahead of London or Hong Kong."

The main cause of Singapore's sudden popularity as a ringgit trading centre was the introduction earlier this year of a series of measures by Bank Negara, the Malaysian central bank, aimed at curbing the inflow of speculative funds.

At the end of 1993 Bank Negara bought in large quantities of US dollars to revalue its reserves and reduce year-end book losses caused by the bank's own multi-billion dollar speculation on the foreign exchange markets. In 1992 Bank Negara lost M$9bn ($3.5bn) in foreign exchange dealings. Forex losses in 1993 were officially put at M$5.7bn.

The consequence of the move was that the ringgit fell sharply – from around M$2.54 against the US dollar for most of 1993 to nearly M$2.80 at one stage earlier this year. With such wild fluctuations, the world's speculators saw an opportunity and rushed in to buy the ringgit.

Bank Negara, alarmed at the inflationary impact of large amounts of speculative funds washing into the country, then introduced its restrictions, which included imposing a negative interest rate on foreign-held ringgit accounts and banning sales of short-term money market paper to foreigners.

Traders and investors wanting to hedge their ringgit investments had to move operations elsewhere. Singapore, due to its status as a financial centre and its location adjacent to Malaysia, was the natural choice.

Bank Negara has recently lifted most of its restrictions on the inflow of funds and after a highly volatile period, the ringgit's value has returned to around the M$2.55 mark against the US dollar.

But ringgit trading in Singapore has continued to grow. "It's a kind of inertia," says one Singapore money dealer. "Bank Negara's moves and the big fluctuations in ringgit values acted as a catalyst for interest in currency trading in this region – not just in the ringgit, but in the other currencies as well. Now the traders are here and enjoying it. They are not going to go away."

Singapore's growing importance as a ringgit trading centre has not pleased Malaysia. Forex dealers in Kuala Lumpur say ringgit trading volumes in Malaysia now average between US$500 and US$1bn per day – well below levels in Singapore.

The Malaysian monetary authorities have always refused to entertain the idea of internationalising the country's currency. But Malaysia's own actions have resulted in the ringgit becoming one of the hottest items in the forex markets – and enhanced Singapore's position as a money trading centre.

INTERNATIONAL CAPITAL MARKETS

Treasuries regain balance after rout on Friday

By Frank McGurty in New York and Martin Brice and Conner Middelmann in London

The US Treasury market regained its balance yesterday morning after plunging in the previous session on unfavourable economic data.

By midday, the benchmark 30-year government bond had edged $\frac{1}{32}$ higher to 96⅞, with the yield slipping to 7.763 per cent. At the short end, the two-year note was unchanged at 99⅞, to yield 6.369 per cent.

There was no fresh economic news to guide sentiment as the trading week opened. The lull afforded traders the opportunity to regroup after a rout which had pushed the price of the long bond down by nearly two points and lifted the yield to its highest level of the year. In the morning's vacuum, the 30-year issue appreciated a little in light activity.

The only event which held the potential to move the market yesterday was an afternoon speech by Mr Alan Greenspan, the chairman of the Federal Reserve. Bond traders were expected to be listening for hints about monetary policy when the Fed chief addressed an economic conference at Boston College at 3.40pm.

In part, Friday's sell-off reflected an emerging consensus that the central bank could bring forward its next move to tighter credit conditions.

GOVERNMENT BONDS

Before the release of last week's data, most traders were reasonably confident that Mr Greenspan and his colleagues would wait until after the November elections before lifting interest rates again.

That calculation was undercut by Friday's news of a 0.7 per cent jump in industrial production last month, which suggested economic growth was still robust.

Even more unsettling to the inflation-sensitive Treasury market, capacity utilisation in August had risen to 84.7 per cent, its highest in five years. The production bottlenecks which are likely to arise with factories working at such a pace suggest producer prices are on the rise.

Against this backdrop, traders were eyeing this week's Treasury auctions of two-year and five-year securities as opportunities to unload more of their holdings. In a small blessing, only a smattering of second-tier economic releases are due out this week, limiting the potential for another severe downturn by bonds.

■ After Friday's sell-off, most European bond markets clawed back some ground yesterday as dealers covered their short positions, but prices drifted lower in the afternoon.

Investors remained mostly sidelined, ceding the stage to the futures traders.

"Many end-investors are still shell-shocked," said a bond dealer, adding "there's very little going on in the cash, but there's quite a lot of fast trading in the futures market".

■ UK gilts opened on a slightly firmer note as prices ticked up from the lows seen on Friday, when some yields reached 9 per cent. There was no weight behind the move, however, and the market gave up much of its advance in the afternoon.

Trading remained thin, with one dealer describing the market as very illiquid. He said longer-dated stock was tracking overseas markets, while concern over sterling weakness and the possibility of further UK base rate rises after last week's 50 basis point increase affected short-dated gilts.

The 9 per cent yields of Friday had prompted some buying interest said another dealer. However, according to Mr Andrew Roberts at UBS: "There is little chance of capital flows into the market while there is this general pessimism at the short end over interest rates."

Details of next Wednesday's gilt auction are due today. Some analysts anticipate that the Bank of England will create a new 10-year benchmark gilt, with £2bn of 8½ per cent stock due 2005.

On Liffe, the December long gilt future reached a high of 98$\frac{23}{32}$ in the afternoon before falling to 98$\frac{11}{32}$, a rise of $\frac{3}{32}$ on the day. The yield spread over bunds was around 152 in late trading.

■ German government bonds ended a listless session slightly firmer. Dealers were focusing on data releases due later this week. They include August M3 money supply, expected as early as today; August producer price data; September inflation numbers; and the Bundesbank's announcement of the next Bund issue, as well as the issuance calendar for the final quarter. Also looming large are Sunday's state elections in Bavaria, which are seen as an indicator for the October 16 federal elections.

■ Swedish bond yields ended about 15 basis points higher following Sunday's election but off their early highs.

The Social Democrats did not win a parliamentary majority and the poor performance of the Liberal party dashed hopes for a centre-left coalition.

However, Prime Minister in-waiting Mr Ingvar Carlsson indicated that he plans to form a minority government relying on centre parties for support on key economic policies. His stated intention of forming "an effective government of co-operation" and the strength of the currency helped lift bond prices off early lows.

■ Italian bonds rose about a point on hopes that the government is close to finalising its 1995 budget package. It met yesterday with trade union representatives to discuss planned pension reforms and dealers said prices were boosted by hopes for a near-term agreement.

In Portugal, bond prices rose by more than ½ point following the central bank's 50-basis point cut in its emergency lending rate to 11.50 per cent and its rate for draining excess liquidity to 8.75 per cent.

Pension schemes in UK 'set to cut equities holdings'

By Norma Cohen, Investments Correspondent

UK pension schemes are likely to reduce their very significant holdings in equities in coming years, while European pension schemes, typically large bond investors, are likely to increase theirs, panelists at a pension fund investment seminar concluded.

The debate about equity investment by UK pension schemes has been heightened by proposed new minimum solvency rules which actuaries warn will force them to shift some of their assets into fixed-interest. Also, many large schemes now have more current and deferred pensioners than they do contributing members, a condition which actuaries say requires them to switch into bonds in order to ensure they have sufficient cash flow to meet payments as they fall due.

Meanwhile, pension investment experts are warning Continental pension schemes that unless they increase equity investment, corporations will have to increase pension scheme contributions in order to pay promised benefits.

Speaking at a National Association of Pension Funds conference in London last Friday, Mr Jean Frijns, board director responsible for investment at Dutch pension scheme ABP, said that the national peculiarities which have led European pension schemes to favour bonds heavily are likely to disappear as markets become internationalised.

"The internationalisation and integration of capital markets challenges national common wisdom and enables pension funds to operate on larger and more liquid markets," he said. The factor of peer group behaviour, which often discourages European fund managers from increasing their equity weightings, should become less important as trustees begin to measure each manager's performance against a wider group.

Meanwhile, Mr Tim Gardener, partner at consulting actuaries William M. Mercer, predicted that due to new pension scheme rules and an ageing membership roster, "UK pension scheme equity rations will converge towards the European average". In three years time, he said, the current 85 per cent average weighting in equities will be 75 per cent and falling. "I see perhaps £40bn going into bonds. Hopefully, the Europeans will be converging towards us and be buying those equities," he said.

ABP, the Netherlands' largest pension scheme and a big institutional investor in the Dutch market, has been fighting to ease government restrictions on its asset allocation for years. From January 1996 no restrictions will apply and Mr Frijns said the scheme will seek to increase its holdings of equities.

In explaining the propensity of European fund managers to invest in bonds, Mr Frijns cites different attitudes towards risk, differences in the institutional environment and differences in "the collective learning curve".

The habit of UK actuaries to use a so-called actuarial valuation for equities, which smoothes fluctuations in market value, added to the comfort level afforded fund managers investing in them. By contrast, the Netherlands, Switzerland and Germany all use market value as the valuation basis.

Indian Airlines uses lease to finance four aircraft

By Antonia Sharpe

A desire among Japanese entities to reduce their tax bills by offsetting capital allowances has allowed Indian Airlines to make a significant saving on the financing of its fleet.

Rather than the airline taking out a loan to buy four A320-200 aircraft, the aircraft were bought by a Japanese company which then leased them on to Indian Airlines. The period of the lease is 10 years, at the end of which the airline has the option to purchase the aircraft.

An official at ANZ International Merchant Banking, which arranged the $170m transaction, said that during the first 10 years it was cheaper for Indian Airlines to lease the aircraft rather than repay a loan. Meanwhile, the Japanese entity will be able to take advantage of the depreciation which goes with the ownership of the aircraft.

The official said the transaction also reflected the renewed confidence which Japanese companies have in the Indian sub-continent.

The aircraft are due to be delivered in September, October, November and December and are the final four deliveries of a six A320-200 aircraft mandate to ANZ in a financing totalling $206m.

Attention turns to World Bank global

By Graham Bowley

Only two new issues were launched in the eurobond market yesterday following the sharp falls in government bond prices last week.

The market's attention turned instead to the World Bank's $1.5bn global offering of five-year fixed rate bonds which is expected to be launched in the next few days.

INTERNATIONAL BONDS

"After a terrible week, people are taking time out to consolidate and wait for the next set of [economic] figures in Europe and the US," said one syndicate manager.

General Motors Acceptance Corporation made a rare foray into the eurobond market, tapping the dollar sector for the first time since June 1993 with a $200m offering of three-year eurobonds.

The bonds were priced to yield 47 basis points over US government bonds. Syndicate managers said pricing was aggressive given the current weakness of the US bond market, although the spread was maintained when the bonds had broken syndicate.

The deal was supported by yesterday's better tone in government bond markets, lead manager Swiss Bank Corporation said. Demand came mainly from retail investors in Switzerland, the Benelux countries, the UK and Germany.

In the Swiss franc sector, Dresdner Finance launched SFr150m of four-year bonds with a coupon of 5.5 per cent. The deal saw some interest from retail investors, joint lead manager Dresdner Bank said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
General Motors Accept.Corp.	200	7.25	99.95R	Oct.1997	0.25R	+47(6½%-97)	Swiss Bank Corp.
SWISS FRANCS							
Dresdner Finance(a)	150	5.50	102.375	Nov.1998	1.75	-	Dresdner(Schweiz)/UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. R: fixed re-offer price; fees are shown at the re-offer level. a) Long last coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	93.1800	−0.890	10.10	10.10	9.31
Belgium		7.250	04/04	91.1000	+0.150	8.64	8.65	8.47
Canada *		6.500	06/04	84.8500	+0.100	8.86	8.94	8.91
Denmark		7.000	12/04	85.8500	−0.050	9.18	9.29	8.89
France	BTAN	8.000	05/98	101.4800	+0.100	7.55	7.45	7.31
	OAT	5.500	04/04	82.8200	+0.320	8.13	8.06	7.91
Germany Bund		6.750	07/04	93.9100	+0.290	7.65	7.66	7.29
Italy		8.500	04/04	80.8000	+0.800	11.93†	12.11	11.54
Japan	No 119	4.800	06/99	103.5880	−0.010	3.91	3.95	3.95
	No 157	4.100	12/03	96.8500	−0.060	4.59	4.56	4.60
Netherlands		5.750	01/04	87.8900	+0.110	7.61	7.48	7.32
Spain		8.000	05/04	80.8000	+0.250	11.35	11.37	11.04
UK Gilts		6.000	08/99	89-07	−4/32	8.75	8.53	8.43
		6.750	11/04	85-13	+2/32	8.98	8.74	8.65
		9.000	10/08	100-19	+4/32	8.92	8.70	8.66
US Treasury *		7.250	08/04	98-10	+6/32	7.49	7.45	7.29
		7.500	11/24	96-31	+10/32	7.76	7.71	7.51
ECU (French Govt)		6.000	04/04	82.8800	+0.230	8.70	8.64	8.49

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	4.83	Two year	6.37
Prime rate	7¾	Two month	4.74	Three year	6.68
Broker loan rate	6½	Three month	4.72	Five year	7.10
Fed.funds	4¾	Six month	5.24	10-year	7.48
Fed.funds at intervention	-	One year	5.80	30-year	7.76

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	111.30	111.52	+0.14	111.62	111.30	12,194	22,759
Dec	110.32	110.80	+0.44	110.88	110.32	136,735	133,771
Mar	109.66	110.10	+0.44	110.10	109.58	382	4,799

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
111	0.51	1.44	1.70	0.70	1.65	2.65
112	0.19	0.95	-	1.42	2.12	-
113	0.06	0.60	0.95	-	2.75	-
114	0.02	0.38	0.69	-	-	-
115	-	0.17	-	-	-	-

Est. vol. total, Calls 11,626 Puts 27,828. Previous day's open int., Calls 215,295 Puts 302,178.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	88.31	88.40	+0.26	88.64	88.25	98587	143135
Mar	87.65	87.60	+0.26	87.75	87.60	207	1378

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
8800	0.62	1.18	1.45	1.51	0.22	0.78	1.05	1.91
8850	0.35	0.90	1.17	1.28	0.45	1.00	1.27	2.18
8900	0.17	0.66	0.92	1.07	0.77	1.26	1.52	2.47

Est. vol. total, Calls 13510 Puts 17604. Previous day's open int., Calls 195559 Puts 168718

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.90	97.88	+1.06	97.90	96.76	37417	64254
Mar		97.03	+1.06			0	640

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9750	2.28	3.25	2.10	3.72
9800	2.02	3.02	2.34	3.99
9850	1.77	2.81	2.59	4.28

Est. vol. total, Calls 1207 Puts 832. Previous day's open int., Calls 9820 Puts 13917

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	86.55	86.59	+0.48	86.77	86.42	33,302	24,537
Dec	85.60	85.10	+0.45	85.60	85.00	25,380	68,969

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99-05	99-03	+0-01	99-16	99-02	669	19104
Dec	98-14	98-11	+0-03	98-27	98-08	36629	99301
Mar	-	97-23	+0-03	-	-	0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
98	2-11	2-51	1-53	3-05
99	1-42	2-23	2-20	3-41
100	1-14	1-62	2-56	4-16

Est. vol. total, Calls 2084 Puts 1334. Previous day's open int., Calls 43074 Puts 32863

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	79.86	79.78	-	79.92	79.72	229	2,091
Dec	79.24	79.42	+0.22	79.54	79.18	718	7,272

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	100-06	100-12	+0-08	100-13	100-06	11,744	78,418
Dec	99-12	99-16	+0-08	99-17	99-09	254,124	351,363
Mar	98-19	98-23	+0-06	98-25	98-19	1,108	9,487

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.00	-	-	108.02	107.91	1335	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Sep 19	Day's change %	Fri Sep 16	Accrued interest	xd adj. ytd		Low coupon yield Sep 19	Sep 16	Yr. ago	Medium coupon yield Sep 19	Sep 16	Yr. ago	High coupon yield Sep 19	Sep 16	Yr. ago
1 Up to 5 years (24)	119.21	−0.04	119.26	1.90	8.01	5 yrs	8.85	8.85	6.36	8.92	8.91	6.63	9.06	9.07	6.82
2 5-15 years (21)	135.96	+0.09	136.11	1.55	9.86	15 yrs	8.82	8.83	7.19	8.97	8.97	7.31	9.18	9.19	7.56
3 Over 15 years (9)	151.29	+0.01	151.28	1.51	9.81	20 yrs	8.73	8.74	7.28	8.97	8.97	7.36	9.02	9.01	7.57
4 Irredeemables (6)	173.58	+0.11	173.38	2.98	6.83	Irred.†	8.76	8.77	7.40						
5 All stocks (60)	134.18	+0.03	134.26	1.71	9.27										

Index-linked							Inflation 5% Sep 19	Sep 16	Yr. ago	Inflation 10% Sep 19	Sep 16	Yr. ago
6 Up to 5 years (2)	185.41	−0.01	185.43	0.93	3.95	Up to 5 yrs	3.99	3.98	2.59	2.82	2.80	1.75
7 Over 5 years (11)	170.93	+0.03	170.87	0.62	3.95	Over 5 yrs	3.92	3.92	3.21	3.72	3.72	3.03
8 All stocks (13)	171.55	+0.03	171.50	0.65	3.94							

Debentures and Loans						5 year yield Sep 19	Sep 16	Yr. ago	15 year yield Sep 19	Sep 16	Yr. ago	25 year yield Sep 19	Sep 16	Yr. ago
9 Debs & Loans (76)	125.64	+0.39	125.19	2.47	7.88	9.92	9.96	7.93	9.84	9.88	8.19	9.76	9.80	8.31

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 19	Sep 16	Sep 15	Sep 14	Sep 13	Yr ago	High*	Low*
Govt. Secs. (UK)	90.22	89.99	90.76	90.44	91.00	101.57	107.04	89.99
Fixed Interest	106.85	107.30	107.31	107.63	108.02	123.01	133.87	106.85

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12
Gilt Edged bargains	106.7	80.4	83.7	111.5	88.0
5-day average	94.4	95.1	99.2	98.3	93.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 19

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	90¼	90½	−⅛	8.10
Alberta Province 7⅝ 98	1000	100⅞	101⅛	−⅛	7.36
Austria 8½ 00	400	104⅛	104⅜	−⅛	7.52
Bank of Tokyo 8⅜ 96	100	102	102½		6.91
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	100½	100⅝	−⅛	6.93
Volkswagen Intl Fin 7 03	1000	94	94⅞	+⅛	7.97
World Bank 0 15	2000	19⅜	20	−⅛	8.03
World Bank 5⅞ 03	3000	87½	87⅝	−⅞	7.84
World Bank 8¾ 00	1250	106¾	107	−1½	7.22
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	89½	89¾	−⅛	9.86
Alliance Leics 11⅜ 97 £	100	105½	106	−¼	8.89
British Land 8⅞ 23 £	150	85⅝	85⅞	−⅝	10.77
Denmark 6¾ 98 £	800	92½	92¾	−¼	9.10
EIB 10 97 £	637	102¼	103⅛	−½	8.62
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

UK GILTS PRICES

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. £ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Speciality materials division hit by decline in defence markets

Morgan Crucible advances 8%

By David Wighton

Morgan Crucible, the speciality materials manufacturer, is increasing its dividend for the first time since 1991 after reporting an 8 per cent rise in interim pre-tax profits from £32.3m to £35m.

Mr Bruce Farmer, managing director, said the 3.5 per cent increase in the dividend to 5.95p reflected confidence in the future. Earnings per share for the six months to July 4 rose by 8 per cent to 10.3p (9.5p). "We are now seeing some upturn in demand, particularly in Germany and France, and price increases are sticking."

He added that the company was not suffering from the squeeze on margins reported by many other manufacturers. Operating margins were steady at 10.2 per cent and Mr Farmer predicted they would improve in the second half.

The figures include profits of £3.6m and sales of £49.3m from Holt Lloyd, the car care business sold to management for £63.5m last month. Mr Farmer said the deal would not dilute earnings because much of the cash would be recycled into bolt-on acquisitions. However, he stressed that year-end gearing would be below 50 per cent, compared with almost 70 per cent at the start of the year.

There was unchanged net cash inflow of £5.2m after capital investment of £15.3m (£17.7m) and acquisition and deferred consideration costs of £5.1m.

Mr Farmer said the main areas of continued weakness were defence, now accounting for less than 3 per cent of turnover, and Japan. Australasia was patchy but continental Europe had recovered more quickly than expected.

Group order intake was up 6 per cent compared with a 2.6 per cent rise in sales to £412m (£401.6m). Morgan is seeing good growth from new products such as components for safety air bags in cars which should generate sales of about $20m (£13m) this year.

Operating profits rose 3 per cent to £42.1m with the carbon, technical ceramics and thermal ceramics divisions all ahead. Profits from speciality materials slipped to £7.8m (£8.1m), hit by declining defence and nuclear power markets.

The shares closed 4½p higher at 332p.

● **COMMENT**

Morgan Crucible has responded to institutional shareholders' concerns by generating cash and selling Holt Lloyd so the recent weakness in the shares might appear churlish. The truth is that the shares had got a bit ahead of themselves after a strong run. While profits growth is steady rather than sparkling the drag from defence cannot last for ever, if only because it is now so small. While other manufacturers complain of intense pressure on margins Mr Farmer is confident Morgan's margins will swell from just over 10 per cent to more than 14 per cent over the next two to three years. The pace should pick up in the second half driving profits to about £74m, before the gain on the Holt Lloyd sale. On a multiple of only 15 the shares are starting to look attractive again.

Dan Burgen

Graham Swetman, finance director, (left), with Bruce Farmer: some upturn in demand, particularly in Germany and France

Ladbroke moves into US gaming business

By Richard Wolffe

Ladbroke Group raised its stake in the global gaming market with the announcement yesterday of a $20m (£12.9m) deal to build a card club in California.

The 60-table club is Ladbroke's first venture into the US gaming business and fits into the group's strategy of establishing itself as a major player in the worldwide casino market.

Earlier this month, the company ended a 15-year absence from the UK casino business with the £50m purchase of three London casinos to add to its international collection of 13.

Ladbroke was forced to give up four West End casinos in 1979 after allegations of malpractice over its attempts to win business from rivals.

The US venture, in San Pablo in the San Francisco Bay area, is expected to be the first in a series of moves to begin gaming activities across the US.

The company said: "we are looking at a number of gaming opportunities around the world, particularly in the US where the gaming market is going through tremendous growth at the moment."

Another card club is planned in Albany, also in the San Francisco Bay area, where the group already owns and operates a racetrack. Ladbroke Racing Corporation, the group's US division, now hopes to introduce slot machines at its racetrack in Michigan. It owns two further tracks in Pennsylvania and Texas.

The company intends to operate non-gaming facilities at the first card club, while leasing gaming operations to SF Casino Management. At present, Californian law prohibits a publicly traded company from holding a licence.

Construction of the club is expected to begin this winter, in order to be open for business next autumn.

The group's pre-tax profits fell 11 per cent to £51.3m for the six months to end-June, with turnover rising to £2.29bn (£2.21bn).

Exceptional items check MAI increase to 9.5%

By Raymond Snoddy

MAI, the financial services and television group, reported a 9.5 per cent increase in pre-tax profits from £80.2m to £87.9m for the year to June 30. This year's figure reflects an exceptional gain of £8m on the disposal of fixed assets and a £16.8m loss on disposal of a discontinued operation.

Earnings per share rose to 16.6p (15.8p).

The results were boosted by MAI's newest business - television - with Meridian Broadcasting making a £5m operational profit ahead of schedule and Anglia Television contributing £5m since its acquisition in March. The company says broadcasting will now become "a major contributor" to group profits and a strong base for future growth.

The exceptional items that helped depress MAI's share price yesterday involved a loss of £16.8m from the closure of Safeguard Insurance Services, which had " performed poorly in difficult markets over the past two years". The net loss included goodwill of £16.2m written off to reserves in prior years. There was also an £8m profit from the sale of an investment in Havas SA.

Before the deduction of the net exceptional loss profit before tax was £96.7m and earnings per share were 18.4p. The share price fell 28p yesterday to close at 255.5p.

MAI's turnover increased 34 per cent to £709.7m (£527.7m). The final dividend is 5.8p (4.9p), making a total of 7.8p (6.9p). Sir James McKinnon, chairman, said the combination of consistent investment, constant product improvement and innovation, close control of costs and favourable markets helped the businesses achieve good profit growth.

MAI's money and securities businesses achieved an overall profit of £61.2m, an increase of 9 per cent. MAI said that volumes in the securities broking markets closed after the interest rate increase in the US in February although money broking volumes rose as the year progressed. The company has recently got a new licence in Tokyo for brokering Japanese government bonds.

" A lot of new markets are emerging." Lord Hollick, the MAI chief executive said yesterday.

Growth in car sales and a fall in bad debt lifted the profits of Wagon Finance, the motor credit company to £11.4m a rise of 24 per cent.

MAI's information division, which provides marketing and financial information, performed strongly and profits rose 35 per cent to £10.8m.

Analysts are looking for pretax profits of between £115m and £116m for the current year.

Improved margins behind Roxboro's 51% advance

By Peter Pearse

Shares in The Roxboro Group rose 14p to 246p yesterday as the specialist electronics group announced a 51 per cent increase in pre-tax profits for the six months to July 1.

Profits grew from £2.97m to £4.49m on turnover ahead 19 per cent at £26.1m, compared with £22.1m.

The group came to the market in November at 230p and completed the acquisition of Solartron, a sensors, transducers and instrumentation group, for £43m in May. In a little over a month, Solartron contributed £726,000 to operating profits from turnover of £4.72m.

Mr Harry Tee, chief executive, said that operating margins for the group had risen from 14.1 per cent to 17 per cent. For the full 1993 year they stood at 15.9 per cent. Solartron had been slightly margin dilutive, though Mr Tee said he would be very disappointed if it was to be more than that over the full year.

He said that the group – now reorganised into three divisions: specialist components, sensors and instrumentation – was looking to expand further. He wanted to strengthen Dialight, the visual indication company, internationally, especially into Europe. The group also wanted to expand its sensors operations.

BLP Components, the electro-magnetic products company, operated in "smart" metering, which, according to Mr Tee, was a market waiting to take off. While the introduction of smart electricity meters depended on the regional electricity companies and Professor Stephen Littlechild, the industry regulator, smart gas meters were more likely to grow in the short term.

The large after-market helped Weston Aerospace, which makes sensors for aerospace applications, buck the trend in that sector and maintain high margins. Mr Tee said that instrumentation had the weakest margins, though there was good growth in vibration monitoring for turbines.

Earnings grew 42 per cent to 8.1p (5.7p) and the maiden interim dividend is 1.5p, as forecast at the time of the Solartron purchase.

Acquisitions help lift Sanderson Bramall

By Peter Pearse

Sanderson Bramall Motor Group, the West Yorkshire-based motor distributor, more than doubled pre-tax profits from £1.06m to £3.01m in the first half of 1994, boosted by acquisitions.

In August 1993 Sanderson bought Skipper Group from RTZ for £14m and in April this *year it acquired Petrogate for* some £5.5m plus its debt of just under £11m. These lifted the number of the group's dealerships from 12 to 33. Of this, 24 are car dealerships and nine commercial.

Operating profits rose to £3.39m (£1.25m), including £864,000 (£75,000) from acquisitions. Turnover advanced to £189.9m (£64.4m), with £22.8m (£4.86m) from acquisitions.

The number of new commercial vehicles sold jumped to 1,564 (200), while new cars sold rose to 6,490 (2,925). However, Mr Tony Bramall, chairman and chief executive, said that the group's main profit centres were its after-sales business, the value-added packages underpinning its new and used car sales, and the used car operations. Used cars sold increased to 5,440 (1,780).

Mr Bramall explained that the used car operations benefited from the lack of makers' restrictions imposed on new cars, that trade prices had held up well, and that there had been none of the previously seen "seasonal drift-down".

Since the acquisitions – which lifted gearing to the mid 80s, since reduced to the low 70s via property disposals – the group "needed to digest", said Mr Bramall. It still had about *£5m-worth of property to sell,* half in the second half and half in 1995.

The interim dividend is lifted to 1p (0.66p), payable from earnings per share of 6.3p (3.7p). The interim is likely to be one-third of the year's total.

Fall in UK sales pushes Magnolia to £0.3m loss

Following its warning in June that first half performance would be disappointing, Magnolia, the picture frame and reproductions company, turned in a loss of £309,000 against a profit of £76,000 last time and announced a rationalisation in its UK operations.

Turnover for the six months to June 30 was down from £9.05m to £8.41m.

This was largely as a result of a decline in the UK market for traditional wooden mouldings, said Mr David Wallrock, chairman. Demand had been in steady decline throughout the recession and continued to be suppressed by the flat housing market and increasing competition from plastic frames.

As a result, the group is to rationalise its UK wholesale business through a writedown of stocks. The costs are expected to have little impact on borrowings.

The plastic moulding side, established last year, now accounts for 50 per cent of production and the group is also *looking overseas for growth.* Lira, the Czech picture framing company acquired in June, has been trading above budget but has not contributed to these results.

There were losses per share of 5.39p (earnings 0.92p).

Overseas expansion holds ISA to 15% rise

ISA International, the Bradford-based distributor of computer consumables, reported pre-tax profits up by 15 per cent from £1.95m to £2.56m in the six months to the end of June.

Turnover grew by 37 per cent to £91m (£66.6m). ISA said gross margins had been reduced as a result of increasing exports to new markets.

Mr Jim Salmon, who took over as chairman earlier this month, said the company had been in talks with a number of manufacturers about working more closely together. The benefits should be seen in the next 12 months.

Earnings per share came out at 3.821p (3.293p) and the interim dividend is being raised from 0.55p to 0.605p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglio-East Plant	int	nil	-	0.5	-	1.65
Bemrose	int	4.7†	Nov 21	4.3	-	11.75
BLP Group §	int	1	Oct 26	-	-	1
Britannia	int	0.5	Nov 1	-	-	nil
Dinkie Heel	int	0.5	Dec 1	0.5	-	1.4
Edinburgh Fund	int	8	Nov 4	6	-	22
GT Japan	fin	0.85	-	0.85	1.5‡	1.75
IoM Steam	int	1.75	Oct 20	1.75*	-	5.5*
ISA	int	0.605	Nov 30	0.55	-	1.65
MAI	fin	5.8†	Nov 14	4.9	7.8	6.9
Morgan Crucible	int	5.95	Nov 14	5.75	-	12.6
Roxboro	int	1.5	Nov 5	-	-	-
Sand'son Bramall	int	1	Nov 1	0.66	-	2.4

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for scrip issue. ‡Includes special 0.25p (0.5p) now announced.

Kwik Save ends 'standstill agreement' with Dairy Farm

By Neil Buckley

Kwik Save, the discount retailer, and its main shareholder Dairy Farm International, are ending the "standstill agreement" that prevents Dairy Farm from selling its stake or making a full bid for the company without prior notice.

The two sides said the agreement had "outlived its purpose" and would lapse after Kwik Save's full-year results in November. Dairy Farm, which holds 29.4 per cent of Kwik Save, added it had "no present intention" of making an offer for the company.

Kwik Save's shares closed down 3p at 604p. The shares have rallied recently on rumours that Dairy Farm was preparing a bid.

Mr Derek Pretty, Kwik Save's finance director, said the agreement had been reached after Dairy Farm, a Hong Kong-based company owned by Jardine Matheson, first acquired a 25 per cent stake in Kwik Save in 1987 – later increased by open market purchases to the present level. It gave Dairy Farm board representation, and required it to give 30 days' notice of an intention to sell its stake or make a bid.

Since then, the two companies had developed a "co-operative, supportive and positive relationship", with the two managements "very much intertangled". Dairy Farm provided Kwik Save's last two chief executives, and its latest chairman, Mr Simon Keswick.

Institutional investors indicated they did not favour the agreement, and Mr Pretty said the 30-day "window" would have had a disruptive effect on the market for Kwik Save shares if Dairy Farm had indicated an intention to bid.

He said shareholders were adequately protected by the Takeover Code rules on bids.

NEWS IN BRIEF

ALLIED-LYONS yesterday changed its name to Allied Domecq.

CATTLE'S HOLDINGS, the financial services company, has acquired Reedham Factors for £5.9m, of which £3m is payable in cash and the balance in loan notes. Further payment of up to £0.3m may become due depending on Reedham's performance in the period to March 31 1995.

EAST GERMAN *Investment* Trust: Net assets as at March 31 1994 were 104.9p (114.1p at end 1992). Net loss for 15 months was DM2.72m (£1.12m), against profit of £701,000 for previous 12 months. Loss per share was 1.9p (0.6p earnings). No dividend (0.2p).

EMAP has sold a 50 per cent interest in three French magazines to Bayard Presse for FFr50m (£6.01m) cash. Together with the two titles the two companies already publish together in France the deal will create a publishing group catering for outdoor interests with combined sales of 1.5m.

YRM, the building design company, was continuing to discuss possibility of refinancing, Mr Tim Poulson, chief executive, told AGM. He said year-end figures of April 30, which showed a trading loss in an "extremely difficult" year, did not show company was enjoying a "steady influx" of new business from UK and abroad.

COMPANY NEWS: UK

Bemrose rises to £2.7m and makes £2.3m buy

By Caroline Southey

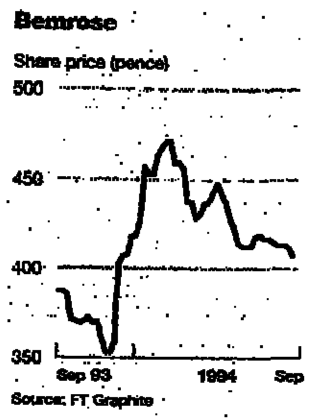
Bemrose, the security and promotional printer, announced a 6 per cent rise in interim profits as well as the acquisition for an initial £2.3m of a company which sources, imprints and supplies promotional products.

Pre-tax profits for the six months to July 2 rose from £2.55m to £2.7m on turnover up 56 per cent at £48.1m (£30.8m). More than 50 per cent of sales are generated in the US where Bemrose is now the largest supplier to the US advertising speciality market following a series of acquisitions.

"We have made a positive start, with substantially increased sales from our enlarged group," Mr Roger Booth, chairman, said. Order books were strong and second half trading would be substantially greater than that seen in the first half, he said.

A seasonal bias to Bemrose's results, which saw 75 per cent of the company's earnings generated in the second half of last year, has been further exaggerated by acquisitions, including McCleery-Cumming, the second largest US publisher of advertising calendars.

Acquisitions over the last two years have increased the proportion of sales represented by promotional products, such as calenders and diaries, from under 50 per cent to more than 70 per cent.



Mr Booth said the acquisition of Incentives Two, a Manchester-based company, would strengthen the management of Bemrose' promotional products division. The company had substantial experience in sourcing low-cost products from the Far East.

The purchase will be satisfied by £715,000 cash, £1.1m of cumulative redeemable unsecured loan stock and the allotment of 117,733 new shares. Incentives Two made pre-tax profits of £459,000 on £5.26m sales in the year to January 31.

Bemrose saw improved performances in all its divisions. The growth in sales of security print products was the result of new initiatives, Mr Booth said, while margins were being preserved by investment in more efficient production equipment, including a £2m web press which would reduce the cost of high volume catalogues and directories.

Promotional product sales in the UK were also ahead and contracts to print calendars had been won from National Westminster Bank and Midland Bank.

US operations saw profit margins and cash generation higher than the group as a whole. He said the Renaissance Group had enjoyed "an excellent year" following the acquisition of McCLeery-Cumming. By combining the two businesses, substantial savings had been made in the costs of paper, printing, packaging, materials and distribution.

Gearing has gone up from 46 per cent at the last year-end to an expected average of 50 per cent for 1994.

Earnings per share stood at 5.67p against 7.48p restated following a rights issue in December. An interim dividend of 4.7p (4.3p) has been declared.

New service costs cut IoM Steam to £1.18m

By Richard Wolffe

Isle of Man Steam Packet Company, the ferry operator, yesterday announced a 38 per cent fall in pre-tax profits from £1.91m to £1.18m for the six months to end-June.

The cost of establishing the Mannin Line, a freight service from Great Yarmouth to Ijmuiden in the Netherlands, launched in November, helped depress trading profit by 42 per cent to £1.1m (£1.91m).

Turnover of the company, in which Sea Containers has a 41.97 per cent stake, increased 5 per cent to £12.5m (£11.9m) despite lower traffic levels on the company's core Isle of Man routes.

Mr Juan Kelly, chairman, said: "In a group sense it is the Mannin Line which is pulling us down, but we have always said that was a long-term operation."

Mannin results were in line with expectations with a steady improvement throughout the period. Nearly two thirds of the loss was incurred in the first quarter. Finance costs in the second half are expected to improve after the £3.2m purchase of a ferry in August.

The introduction in June of a new SeaCat service on the Isle of Man routes helped to boost total passenger carryings by 11 per cent.

Earnings per share fell from 5.42p to 3.48p and the interim dividend is held at 1.75p.

Yorkshire Food's £7.6m acquisition from Hobson

By Christopher Price

Yorkshire Food Group is to pay Hobson, the homecare and food products group, £7.6m for a packaging business.

The packaging interests are part of the FE Barber food division which Hobson bought last April as part of a £111m deal for the food manufacturing business of the Co-operative Wholesale Society.

Mr Andrew Regan, Hobson chief executive, said the move represented a re-focusing of the Co-op businesses to their core areas.

"We intend to concentrate on what the division does best," he said, and added that Hobson expected to sell a further two subsidiaries from the Co-op deal.

The final consideration for yesterday's sale will depend on the audited net asset value of the business, with a maximum consideration of £8m payable by Yorkshire Food.

Hobson is also keeping £2.6m of trade debtors owed to Barber, said Mr Regan.

The packing division made pre-tax profits after corporate charges of £238,000 on sales of £23m for the year to January 8.

Mr Paul Haley, Yorkshire Food finance director, said the company had identified £750,000 worth of charges which it believed would not recurr under its new ownership. Net assets at the year end were £3.85m.

The business consists of two sites, one in Manchester and one in Glasgow, and packs products including flour, rice, pulses and nuts.

Yorkshire Food intends to close down the Glasgow site. Mr Haley said "a small number" of the sixty people employed at the Scottish plant would be offered alternative employment.

Emerging markets help Edinburgh Fund to £7.4m

By Christopher Price

Edinburgh Fund Managers, the fund management group, reported a 99 per cent rise in pre-tax profits for the half-year to July 31, from £3.72m to £7.39m. New products, particularly those aimed at the emerging markets, together with the recovery in the financial markets, were largely behind the rise.

Mr Peter Arthur, finance director, cautioned that the comparison with the same period last year had to be set against the background then of depressed market conditions; also, the 1993 interims did not include contributions from two important acquisitions. Compared with the second half results, which he considered more meaningful, pre-tax profits were 22 per cent ahead.

Two new investment trusts – the New Tiger Trust aimed at the far eastern market and the Inca Trust targeting Latin America – had raised over £180m from investors.

Fund management income rose 63 per cent to £11.71m (£7.17m) compared with the same period last year, while group turnover increased by a similar amount to £12.85m (£7.84m). Earnings per share jumped 93 per cent to 26.7p (13.8p). The interim dividend is set at 8p (6p), with the company expecting to pay a maintained final of 22p.

Edinburgh's geographical spread shifted year-on-year towards the emerging economies. Funds under management in the UK slipped from 61 per cent to 55 per cent, while the Pacific Rim rose from 16 to 21 per cent and Latin America from 2 to 4 per cent. Investment trusts increased their share of the company's income, rising from 42 to 47 per cent.

The volatility in the world markets contributed to a fall in total funds under management from £4bn to £3.8bn.

Rhino runs deeper into red at midway

By Gary Evans

Shares in Rhino Group, the USM-quoted specialist video and computer games retailer, fell 5p to 27p yesterday, after the group reported a sharp increase in pre-tax losses from £263,000 to £1.37m for the first half of 1994.

Mr Bev Ripley, chairman, blamed the setback on the strong seasonality of Rhino's subsidiaries, Future Zone Stores and Downpace. However, he expected the second half to again benefit significantly from Christmas trading – 1993 profits totalled £2m.

First-half turnover jumped to £17.5m (£3.6m) reflecting Rhino's growing number of stores. Future Zone now operates from 90 retail outlets, against 28 a year ago, and the group expects to have at least 110 stores trading during Christmas.

Because of the seasonality of the business, no interim dividend has been declared. Losses per share were 1.21p (0.45p).

Mr Ripley estimated that so far this year the UK computer and video games market had declined by about 14 per cent, although this trend had not been consistent across the various product ranges. He added that Rhino's share of the UK software market had now risen to about 12 per cent.

The company intends to apply for a full listing, following publication of its 1994 annual report.

Datrontech plans to come to market with £50m valuation

By Paul Taylor

Datrontech, a leading supplier and distributor of computer memory and other PC components, plans to come to market late next month through a placing with institutional investors which is expected to value the Aldershot-based group at about £50m.

The company was founded in 1987 by Mr Steve King, managing and marketing director, and Mr Ian Boyle, sales director. Its expansion reflects the underlying growth of personal computer sales.

These are expected to continue to grow at around 20 per cent a year, coupled with the strong demand for PC memory fuelled by successive generations of more powerful microprocessors and more complex software.

Lydia van der Meer

The memory men: Datrontech's Ian Boyle (left) and Steve King

Last year Datrontech, which has 96 employees, lifted adjusted operating profits to £2.6m from £1.9m in 1992 and £1.7m the previous year on turnover which grew by 86 per cent to £46m (£24.7m), up from £15.9m in 1991. It expects turnover to exceed £60m this year.

Pre-tax profits in the half year to June 30 increased to £2.1m (£1.4m) on turnover of £35m (£23m).

Memory products accounted for 88 per cent of Datrontech's turnover last year - the company has about 5 per cent of the combined UK and Irish memory market which was worth £646m, based on figures from Dataquest, the market research organisation.

The company has a close relationship with California-based Kingston Technology, one of the fastest growing private companies in the US, whose memory products account for about 40 per cent of Datrontech's sales. Its suppliers also include most of the main computer technology providers including IBM, Intel, Microsoft and Creative Labs.

Although the PC memory market has become increasingly competitive, Datrontech has managed to maintain above-average margins despite expanding into the lower-margin original equipment manufacturer (OEM) market in the UK. It emphasises its customer service policy and was one of the first IT companies to introduce "just-in-time delivery" and 97 per cent of orders are met within 24 hours.

Datrontech is expected to raise up to £5m through the flotation.

NEWS DIGEST

BLP surges but shares slip 16p

The share price of BLP Group dipped 16p to 174p yesterday, despite the fact that pre-tax profits more than trebled for the six months to June 30.

The wood laminates group reported pre-tax profits of £700,000 (£194,000) on turnover up 11 per cent from £13.5m to £15m. Operating profits doubled to £738,000 (£305,000), because of a strong performance in Canada and a reduction in costs in the UK following rationalisation of the London manufacturing operations.

Earnings per share were 5.1p (2.2p losses) and an interim dividend of 1p is proposed (nil).

Britannia back in the black

Britannia Group, the housebuilding, construction and development group, returned to the black in the first half of 1994 with a pre-tax profit of £518,000, against a £868,000 loss last time.

Turnover edged ahead to £16.06m (£15.9m). Earnings per share came to 1.6p (7.5p losses) and there is an interim dividend of 0.5p – the first since 1991.

Mr Christopher Powell, chairman, said that while the construction sector remained highly competitive, there were signs that demand was beginning to pick up and that traditional clients were coming back with work.

During the period, Britannia completed 103 sales with a further 121 either reserved or under contract. For the year, it

Turnpyke recovery continues

Turnpyke Group, the West Midlands-based springs and pressings manufacturer, reported continued recovery in the first half of 1994 with pre-tax profits of £16,000, the first reported profit since the mid-1980s, against losses of £185,000.

Mr Eric Cater, chairman, said with the sale of a property improving the cash position, the company expected the better performance to continue in the second half.

Turnover was £1.25m (£1.34m). Earnings per share were 0.22p (losses 2.88p).

Wakebourne jumps back with £1.07m

Wakebourne, the reorganised computer services group, moved back into profit with a first half pre-tax figure of £1.07m against an interim loss of £18.9m last time, struck after provisions for disposals.

Turnover for the six months to June 30 was up 52 per cent at £18.2m (£12m), with the growth led by large branch automation contracts from customers including the Halifax Building Society and Barclays Bank.

There was an underlying growth rate in operating profits from computer services of 20 per cent.

Earnings per share came out at 3.4p against losses of 144.6p last time.

Rubber prices help lift Anglo-Eastern

Anglo-Eastern Plantations, the cocoa, oil palm and rubber cultivator, reported a 41 per cent rise in pre-tax profits for the six months to June 30, from £1.2m to £1.7m. Turnover was up 42 per cent to £5m (£3.5m).

Mr Rollo Barnes, executive director, said the smaller estates' results had benefited from an increase of nearly 40 per cent in rubber prices and better than expected cocoa production.

Earnings per share were 4p (3p) and, as indicated, there is no interim dividend (0.5p); henceforth only a single, final distribution is being paid.

Ultimate holding company is Genton International.

Andaman turns in £24,000 midway

Andaman Resources, the reconstructed minerals company now focusing on developing businesses generating a more predictable stream of earnings, reported a pre-tax profit of £24,000 for the first half of 1994.

These were the Belfast-based company's first results since its placing and open offer in February, a further placing in April and the acquisition of Southern Road Markings. The interim figures included three months contribution from Markings. No comparatives were given.

Turnover was £410,000, while profits were after an exceptional £24,000 charge for discontinued exploration activities. Earnings per share came to 0.18p.

Dinkie Heel falls 25% to £231,000

Although turnover rose 5 per cent, Dinkie Heel's pre-tax profits were down 25 per cent from £309,000 to £231,000 for the half year to June 30.

The company, which supplies components for footwear manufacture and repair, saw turnover increase from £3.5m to £3.65m.

Mr David Parkes, chairman, said profits had been affected by loss of production, owing to the need to replace furnace equipment in June rather than during the July holiday period.

Earnings per share were 1.35p (1.76p). The interim dividend is unchanged at 0.5p.

GT Japan net assets advance

GT Japan Investment Trust raised net asset value per share from 241.9p to 288.3p over the year ended June 30.

After-tax revenue for the 12 months fell from £1.48m to £1.04m for earnings per share of 1.67p (2.38p). The recommended final dividend is again 0.85p, but a reduced special payment of 0.25p (0.5p) makes a lower total of 1.5p (1.75p).

Goldsborough to take up IBH option

Goldsborough Healthcare, an independent provider, is to exercise its option to subscribe for 3.56m 25p shares in Independent British Healthcare at 74.8p each, at an aggregate cost of £2.66m.

96% acceptance for Gosforth Park offer

The final acceptance level of Northern Racing's recommended cash offer for High Gosforth Park is 95.84 per cent of issued capital, representing 87,174 shares. The offer has now closed.

Northern Racing will compulsorily acquire all outstanding shares in High Gosforth Park, which owns and runs Newcastle racecourse.

Medeva joins SKB in vaccine development

By Daniel Green

Medeva, the rapidly-growing pharmaceuticals company, has formed an alliance with its larger rival SmithKline Beecham that will "secure the future of our vaccines division", said Dr Bill Bogie, Medeva's chief executive.

The deal will give Medeva an unspecified royalty income from worldwide sales of a new generation of combination vaccines that allow many drugs to be injected at once. Dr Bogie estimated the world market for such vaccines to be £650m a year.

Under the deal, SmithKline has been granted exclusive worldwide rights to a protein called 69kDa, part of a new whooping cough vaccine that is easier to include in combination vaccines.

SmithKline said the deal would "allow us to accelerate our development projects on combination vaccines."

Whooping cough vaccines are already part of a combination of three vaccines with diphtheria and tetanus (DTP) of which about 30m doses are sold each year in Europe and the US. Dr Bogie said that a vaccine that combines six drugs instead of the current three should sell for about £20 a shot.

Separately, the two companies agreed to co-develop and market in the UK new combined vaccines containing DTP and a hepatitis vaccine.

They are also in talks in extending the arrangement to manufacturing.

Vaccines have for many years been the poor relation of other drugs mainly because they are given only once.

COMMODITIES AND AGRICULTURE

Coffee futures touch fresh 8½-year highs

By Alison Maitland

Coffee futures in London briefly burst through their recent 8½-year high yesterday morning as continued drought in Brazil and signs of falling consumer stocks raised fresh concern about supply shortages.

The November contract rose to $4,089 a tonne, just above the peak of $4,085 reached during the trading day following the second severe frost in Brazil in early July. These levels are the highest the market has seen since January 1986.

The position held comfortably above $4,000 for the rest of the day, closing up $107 at $4,039 a tonne.

Mr Robert MacArthur, head of the Tropical Trader Group at Merrill Lynch in London, said the dry weather had now lasted as long as the serious drought in the mid-1980s. Coming on top of the two frosts, the persistent dry spell was adding to fears about the likely shortfall in next year's crop from Brazil, the world's largest producer.

In addition, Colombia had suffered a smaller harvest this year and would have to draw down its internal stocks to meet domestic demand, while US stocks were dwindling.

"The market's done very well in fair volume," he said. "It looks as if the trend is still for higher prices as we move into the winter period."

London was buoyed by a strong performance by arabica futures in New York to match that of Friday. In early trading, New York was up nearly 9 cents. By the afternoon, the December contract was 4.95 cents higher at 226.75 cents a pound.

Traders sceptical about cocoa output curb

Plans by the International Cocoa Organisation (ICCO) to cut cocoa output by 375,000 tonnes over the next five years look good on paper but will have little immediate impact on the market, London traders said yesterday, reports Reuters.

Members of the organisation agreed on Saturday to implement a five-year plan aimed at cutting 75,000 tonnes a year, beginning in the 1994-95 season, in an attempt to bolster prices.

"They are good intentions but Indonesia is not part of the agreement. . . and as a cocoa producer it has the major growth record," one pointed out.

However, Mr Guy-Alain Gauze, Ivory Coast's commodities minister, told reporters after the ICCO talks ended in London on Saturday that "Indonesia has said it will not take any decision against producers".

Indonesian observers at the talks said they were monitoring the progress of the production management plan and, based on that, would eventually decide whether or not to join the pact.

Indonesia, which is forecast to produce about 250,000 tonnes cocoa during the 1993-94 season, has registered an average growth rate of 20 per cent a year over the past five years.

Apart from the question mark over Indonesia, traders said the volume of stocks available to the market would also offset any attempt to cut supply.

"There are many stocks to get rid of," said one. "There has been a lot of cocoa surplus in the world and producers get impatient for higher prices," one said.

If the plan does materialise, "it will be interesting to see how they implement it and finance it", commented a London-based analyst.

More aluminium gains forecast

By Richard Mooney

The aluminium market "appears determined to move higher", according to Billiton-Enthoven Metals. And it says in its latest Metals Report that it "is likely to continue to do so in the final quarter of [this] year and beyond, providing the drawdown in LME [London Metal Exchange] stocks continues apace".

Billiton notes that the aluminium market has been in deficit for several months, taking stocks held in LME registered warehouses 278,475 tonnes, or 10.5 per cent, below the record level reached in mid-June. A less marked reduction in producer stocks in member countries of the International Primary Aluminium Institute has been attributed to seasonal factors, the report says, "and further declines are envisaged".

It points out, however, that the production slow-down following the multilateral agreement reached earlier this year to curb output has been "rather disappointing". In June the operating rate, as reported by the IPAI, was down only 100 tonnes a day and in July it was unchanged. "It will be interesting," says Billiton, "to see whether the downtrend is resumed in August's figures, which are to be announced this week."

However, the aluminium market is not relying only on lower production for its present strength, the report notes, "but also on strengthening demand".

Although there are signs that the US economic recovery is slowing down the country's aluminium demand is expected to post a "very respectable increase" for 1994. And a continued slowing in US demand next year is expected to be more than compensated by continued improvements in the European market "and even in Japan".

"Russia has remained a theoretical 'fly in the ointment' in terms of the tardiness in implementing its pledged production cutbacks [under the multilateral agreement], amounting to 500,000 tonnes [a year] which were originally to be completed by the end of July," says Billiton.

"However, the market appears to be taking this in its stride."

● Aluminium prices edged back at the London Metal Exchange yesterday following the strong gains of the past few weeks.

Having burst through the $1,600-a-tonne barrier on Friday the three months delivery position ran into overhead resistance and what traders described as "producer-type selling" after moving up to $1,615 a tonne in early trading. It dipped below the $1,600 mark a couple of times before closing $6 down on the day at $1,602.50 a tonne.

Traders said they were looking for further big falls in LME stocks to confirm aluminium's "upside credentials".

Western World Primary Aluminium supply/demand balance ('000 tonnes)

	1995(f)	1994(f)	1993(e)	1992	1991
Production	14,220	14,150	15,053	14,922	15,125
Net imports	1,500	1,600	1,500	1,100	850
Consumption	16,900	16,150	15,550	15,476	14,950
Balance	-1,180	-400	+1,003	+546	+1,025

Source: Billiton-Enthoven Metals. (f)=forecast, (e)=estimated

Britain sees catches in EU fish plan

By Alison Maitland

Britain said yesterday that it smelled "a stinking fish" in European Commission plans for opening up European Union waters around Ireland to the Spanish and Portuguese fishing fleets in 1996.

Mr Michael Jack, UK fisheries minister, said Britain would call on the commission at next week's fisheries council in Brussels to rethink proposals that were "a bureaucratic and administrative nightmare".

The government has come under strong pressure from the fishing industry to oppose the plans, which are designed to share out access among member states to waters lying west of the UK, France and north-west Spain.

Mr Jack said British fishermen feared the new rules were so complex that the huge Spanish fleet would be able to flout them with impunity. "There's a very real worry that in some way an increase in Spanish fishing effort will be unleashed on these sensitive waters and there will be no means of controlling it," he said.

When they joined the community, Spain and Portugal were barred access to the so-called Irish Box, which covers the waters immediately surrounding Ireland. That exclusion ends on December 31 next year, although they will still not be allowed to fish in the Irish Sea for species subject to quotas. They will also remain barred from the North Sea.

The commission has tabled two draft regulations covering access to the EU's "western waters" for all member states and monitoring compliance by individual vessels with the new rules. It agreed the rules would not cause member states to lose quota and would entail no increase in fishing.

However, its proposal to allocate countries with a fixed number of fishing days has run foul of the British government, which says its position is backed by Ireland and France.

In a letter to 48 members of parliament from fishing constituencies released yesterday, Mr Jack questioned the way the allocation of days – known as Standard Vessel Days – had been calculated.

"It is not clear that the allocations of SVDs set out in the proposal would represent equitable allocations among member states or respect relative stability (existing quotas)," he said. Britain feared it had not been allocated enough days to fulfil its quotas, whereas Ireland might have been granted too many.

He added that the proposals for monitoring compliance were complex and would impose "excessive burdens on our fishermen."

Britain is particularly unhappy that the commission has left it up to member states to allocate days to individual vessels in their own fleets – a highly sensitive task – without prescribing how this should be decided.

The council on September 28 is unlikely to decide this issue, which could drag on into next year. Mr Jack said Britain would present a "practical and simple" alternative, but he was unable to give details beforehand.

St Lucia hit hardest as tropical storm devastates Winwards banana crops

By Canute James in Kingston, Jamaica

The banana industry in the Windward Islands, the main source of British imports, was devastated by the tropical storm that passed through the eastern Caribbean ten days ago. Shipping schedules will be disrupted, according to government and industry officials.

The islands – Dominica, Grenada, St Lucia and St Vincent – will lose millions of dollars in exports earnings and could also lose some share of the market because of the damage, the industry officials said. St Lucia, the largest producer in the group, has been the hit hardest.

"All of our banana, coconut and cattle production has been lost, small gardens are destroyed and the roads are flooded," said Mr John Compton, St Lucia's prime minister. Banana exports provide the island with income of about US$60m a year, representing just under a half of all its foreign earnings.

The Windward Islands Crop Insurance Scheme (Wincrop), an agency which insures the region's agriculture, says it is receiving hundreds of claims following the storm.

"We are receiving claims now mainly from Dominica, St Lucia and St Vincent," said Mr Kerwin Ferreira, Wincrop's manager.

"St Vincent's loss is of a fair level, Dominica's significant, and I would say St Lucia is very, very, very bad."

The losses in the Windward Islands will disrupt suppliers to the UK, according to a St Lucian government official. The loss for the four islands will not only be in export earnings but also in market share, he said.

There is concern in the Windward Islands that any reduction in shipments from the region will benefit Latin American exporters, who will fill the shortfall. Latin American producers had earlier attacked the new European Union import regime, which allows duty free entry to Caribbean fruit.

"The has come at a very bad time for the Windwards' industry," said the official. "We might not be able to recapture our markets after this. The only consolation is that if we start replanting now we will have export fruit ready in a few months."

Settlement eases Canadian wood strike fears

By Robert Gibbens, Montreal

IWA-Canada, representing 15,000 British Columbian coastal area woodworkers, has reached a settlement with employers that should also set a pattern for woodworkers in the interior and the pulp and paper mill workers.

The pact, to be ratified by IWA members over the next two weeks. provides pay increases of 3 per cent, 3 per cent and 2 per cent over three years, plus signing bonuses of C$1,000 in the first year, C$500 in the second and up to C$500 in the third. Union members get priority in hiring for the province's forest renewal programme.

Originally the IWA sought 18 per cent over three years.

Forest Industrial Relations , negotiating for the companies, said the deal would be costly but the industry was ready to share the benefit of strong timber markets.

Talks with the interior woodworkers and two different unions representing the pulp and paper mill workers resume this week and hopes are high that a strike can be averted.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1575.5-6.5	1602-3.0
Previous	1585-6	1608-9
High/low	1582.5/1581	1612/1599
AM Official	1582.5-3.0	1607.5-8
Kerb close		1598-9
Open int.	261,949	
Total daily turnover	104,084	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1605-15	1620-30
Previous	1610-5	1630-5
High/low	1607.	1630
AM Official	1607-10	1630-5
Kerb close		1625-30
Open int.	2,693	
Total daily turnover	1,202	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	613.5-4.5	627-8
Previous	621-2	634-5
High/low	614.5/614	634/624
AM Official	614.5-5.0	627.5-8.0
Kerb close		636-7
Open int.	42,348	
Total daily turnover	20,004	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6390-95	6495-500
Previous	6425-30	6520-5
High/low		6570/6485
AM Official	6390-5	6490-5
Kerb close		6495-500
Open int.	67,042	
Total daily turnover	31,074	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5246-50	5325-30
Previous	5260-5	5335-40
High/low		5360/5310
AM Official	5230-40	5315-20
Kerb close		5310-15
Open int.	17,069	
Total daily turnover	3,984	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1005-6	1028-9
Previous	1010-1	1032-3
High/low	1006	1039/1027
AM Official	1006-6.5	1028-9
Kerb close		1032-3
Open int.	100,847	
Total daily turnover	41,193	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2515.5-6.5	2531.5-2.5
Previous	2489-90	2507-8
High/low		2550/2528
AM Official	2514.5-5.5	2530-1
Kerb close		2525-6
Open int.	217,861	
Total daily turnover	121,102	

■ LME AM Official £/$ rate: 1.5742
LME Closing £/$ rate: 1.5665

Spot 1.5667 3 mths 1.5642 6 mths 1.5608 9 mths 1.5550

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Sep	122.35	+0.05	122.60	121.40	4,139	677
Oct	118.80	+0.25	119.00	118.90	1,995	443
Nov	117.85	+0.15	-	-	716	32
Dec	117.40	+0.15	117.70	116.25	41,807	2,779
Jan	116.80	-0.10	-	-	562	27
Feb	116.20	+0.05	-	-	443	17
Total					58,855	5,486

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	390.00-390.50	
Opening	390.10-390.50	
Morning fix	390.15	247.746
Afternoon fix	389.90	249.139
Day's High	390.40-390.80	
Day's Low	389.50-390.00	
Previous close	390.40-390.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.40 6 months 4.65
2 months ....4.44 12 months 5.06
3 months 4.48

Silver Fix	p/troy oz.	US cts equiv.
Spot	344.55	543.00
3 months	349.25	549.50
6 months	354.50	556.40
1 year	368.70	573.85
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	393-396	252-255
Maple Leaf	400.80-403.30	-
New Sovereign	90-93	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	390.0	+0.1	-	-	-	-
Oct	390.5	-	391.0	389.9	8,623	1,458
Nov	392.1	-	-	-	-	-
Dec	393.6	-	394.3	392.9	91,063	30,178
Feb	396.9	-	397.3	396.1	13,931	985
Apr	400.3	-	400.8	400.0	6,808	28
Total					158,472	33,585

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	413.7	+0.7	414.5	412.7	12,331	3,186
Jan	418.0	+0.7	419.0	417.0	9,041	1,210
Apr	421.5	+0.7	422.5	420.0	2,464	425
Jul	425.0	+0.7	423.0	423.0	464	20
Oct	427.7	+0.7	-	-	280	-
Total					24,880	4,841

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	152.25	+1.60	-	-	35	3
Dec	153.25	+1.85	154.00	152.25	5,613	328
Mar	154.00	+1.85	154.50	154.00	982	20
Jun	155.00	+1.85	-	-	152	-
Total					6,782	351

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	541.1	-0.6	543.0	539.5	378	32
Oct	542.4	-0.6	-	-	7	-
Nov	544.2	-0.8	-	-	84,379	23,582
Dec	548.7	-0.8	549.5	544.5	59	-
Jan	549.1	-0.8	-	-	9,247	523
Mar	554.9	-0.8	557.0	553.0	4,408	5
Total					110,170	24,686

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	16.81	-0.02	16.89	16.88	35,319	24,146
Nov	16.99	-0.01	17.05	16.85	91,784	28,958
Dec	17.20	+0.01	17.21	17.03	60,847	13,821
Jan	17.34	-	17.35	17.29	38,539	6,139
Feb	17.44	-0.04	17.40	17.38	20,528	2,473
Mar	17.45	-0.04	17.46	17.40	15,333	743
Total					403,878	79,447

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	15.90	+0.11	15.90	15.72	65,188	14,150
Dec	16.08	+0.06	16.06	15.90	28,983	2,664
Jan	16.10	-0.01	16.14	16.04	12,293	930
Feb	16.12	-0.04	16.15	16.12	7,075	230
Mar	-	-	-	-	6,429	40
Apr	-	-	-	-	2,258	60
Total					128,174	17,999

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	47.45	+0.44	47.50	46.70	33,570	14,108
Nov	48.50	+0.31	48.55	47.90	24,758	6,376
Dec	49.80	+0.31	49.80	49.35	40,376	5,987
Jan	50.65	+0.08	50.65	50.25	25,348	5,438
Feb	51.25	+0.11	51.25	51.00	14,382	3,182
Mar	50.90	+0.06	50.95	50.80	11,403	2,548
Total					176,665	40,602

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	148.75	+1.00	149.00	147.00	36,448	3,720
Nov	151.50	+1.00	151.75	149.75	17,238	1,539
Dec	154.00	+1.00	154.00	152.25	20,065	1,444
Jan	156.00	+1.00	156.00	154.00	13,638	1,034
Feb	156.75	+0.75	156.75	154.00	4,916	387
Mar	156.50	+0.75	156.50	154.50	5,276	199
Total					105,891	8,325

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	1.820	-0.008	1.635	1.600	24,753	11,881
Nov	1.849	-0.018	1.870	1.840	24,574	4,930
Dec	2.070	-0.002	2.075	2.060	27,014	1,538
Jan	2.105	-0.002	2.115	2.100	15,290	1,505
Feb	2.040	-0.002	2.045	2.030	12,936	483
Mar	1.990	+0.001	2.000	1.987	10,008	161
Total					180,058	22,199

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	45.60	-0.89	45.75	44.30	21,438	10,270
Nov	45.75	+0.63	45.85	44.85	19,372	5,840
Dec	52.55	-0.17	52.90	52.50	10,318	2,511
Jan	52.60	+0.20	52.60	52.00	6,218	1,490
Feb	52.90	+0.15	52.95	52.65	3,530	1,446
Mar	53.85	+0.15	53.85	53.85	1,013	326
Total					87,774	24,235

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	106.60	-0.15	106.60	106.40	116	28
Nov	107.75	-0.30	107.75	107.75	2,614	25
Jan	109.75	-0.35	109.85	109.70	1,857	63
Mar	111.70	-0.40	111.85	111.75	1,148	35
May	113.70	-0.30	113.75	113.70	1,300	112
Jul	115.75	-0.30	115.80	115.80	267	2
Total					7,362	265

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	377/4	+0/4	380/0	375/0	348	62
Dec	390/6	+1/2	392/4	386/0	47,647	14,643
Mar	399/0	+1/4	400/0	394/4	18,231	1,990
May	384/4	+2/0	386/0	382/0	2,592	584
Jul	357/4	+3/2	357/6	352/0	3,599	517
Sep	359/0	+3/0	359/0	359/0	85	4
Total					72,546	17,827

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	216/2	-0/4	216/4	215/2	3,177	1,984
Dec	217/2	-0/4	218/0	216/2	134,111	39,913
Mar	227/2	-0/2	228/0	226/4	38,044	6,195
May	234/4	-0/2	235/0	233/4	15,533	2,184
Jul	239/2	-	240/0	237/6	15,144	2,813
Sep	242/4	+0/4	243/4	241/0	1,089	163
Total					213,898	53,891

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	102.90	+0.05	103.00	103.00	31	9
Nov	104.40	+0.12	104.50	104.60	482	10
Jan	106.35	-0.05	-	-	388	-
Mar	108.70	-0.05	108.70	108.65	89	15
May	110.50	-	110.65	110.50	21	31
Total					1,011	65

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	555/0	-4/2	560/0	555/0	2,330	908
Nov	553/6	+0/4	558/0	551/0	78,131	38,554
Jan	563/2	+0/6	567/0	560/4	17,657	4,246
Mar	573/0	+1/0	577/0	569/4	8,693	2,655
May	581/0	+1/0	584/0	578/0	6,201	870
Jul	587/0	+1/0	590/0	584/0	9,941	1,619
Total					126,268	49,571

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	25.75	-0.23	26.03	25.70	1,778	1,184
Oct	25.19	-0.28	25.55	25.15	17,486	5,608
Dec	24.58	-0.27	24.92	24.55	40,059	17,472
Jan	24.37	-0.24	24.69	24.35	6,889	1,831
Mar	24.15	-0.26	24.48	24.15	8,298	1,733
May	23.95	-0.15	24.20	23.95	4,489	1,164
Total					82,809	29,833

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	169.6	+1.0	170.0	167.7	1,903	1,209
Oct	168.2	+0.8	168.8	164.9	14,738	4,016
Dec	166.7	+0.8	167.7	166.4	42,168	9,230
Jan	168.0	+0.9	169.0	167.0	9,569	882
Mar	171.0	+0.4	172.1	170.4	9,763	1,522
May	173.0	+0.3	174.0	172.5	5,517	665
Total					86,208	18,258

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	219.5	-3.1	224.0	218.1	1,391	96
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,391	96

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1583	+15	1580	1580	289	24
Oct	1625	+23	1625	1610	824	78
Nov	1620	+27	1620	1605	128	23
Jan	1583	+15	1585	1575	810	32
Apr	1585	+15	-	-	389	-
Jul	1450	+7	1450	1450	90	10
Total					2,378	165

	Close	Prev
BFI	1548	1637

Tea

The Tea Broker's Association reports, good general demand. Quality Assams met keen competition selling between 175 and 275 pence. Coloury mediums were steady but lesser mediums were irregular. Brightest and good medium East Africans opened on a firm note but eased as the sale progressed. Mediums sold readily at fully firm rates. Brighter ceylons were a strong feature and often advanced, mediums remained firm. Fairly good demand. Brighter teas sold well at last levels but others moved lower. Quotations: best available 200p/kg., good 142p/kg., good medium 132p/kg., medium 120p/kg., low medium 85p/kg., nom. The highest price realised this week was 275p for an Assam

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	968	+13	946	946	30	2
Dec	974	-14	982	972	27,268	1,825
Mar	1007	-12	1013	1004	33,221	1,116
May	1019	-12	1024	1019	11,959	344
Jul	1032	-10	1035	1032	5,565	146
Sep	1046	-6	1052	1045	9,194	116
Total					98,668	3,633

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1316	-22	1330	1315	-	-
Mar	1365	-21	1377	1365	42,257	3,362
May	1395	-19	1403	1395	14,099	578
Jul	1423	-19	-	-	4,021	41
Sep	1445	-17	-	-	2,886	9
Dec	1471	-17	-	-	1,296	3
Total					72,788	3,999

■ COCOA (ICCO) (SDR's/tonne)

Sep.16	Price	Prev. day
Daily	1020.19	1015.16

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	4177	+135	4200	4111	1,715	49
Nov	4040	+106	4089	3980	11,721	3,114
Jan	3989	+112	4040	3945	14,142	2,125
Mar	3898	+90	3930	3885	6,935	764
May	3843	+88	3890	3820	1,675	643
Jul	3830	+92	3850	3800	807	417
Total					38,986	7,112

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	222.25	+6.10	225.40	222.00	101	39
Dec	226.55	+4.75	230.50	225.65	22,884	7,174
Mar	228.00	+6.00	228.00	228.00	7,653	674
May	229.00	+6.00	229.00	229.00	3,142	259
Jul	230.00	+6.00	230.00	230.00	779	75
Sep	231.00	+6.00	-	-	370	49
Total					38,498	8,296

■ COFFEE (ICO) (US cents/pound)

Sep.16	Price	Prev. day
Comp. daily	202.10	196.75
15 day average	197.90	196.61

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.86	-	12.90	12.83	1,606	154
Jan	-	-	-	-	-	-
Mar	-	-	-	-	90	-
Total					1,696	154

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	332.50	-	330.70	330.00	3,595	169
Mar	332.50	-	333.40	330.20	7,927	582
May	332.70	-	333.00	330.00	938	265
Aug	331.30	-	332.00	330.00	734	75
Oct	314.00	-	315.00	314.00	371	9
Dec	-	-	-	-	4	-
Total					13,569	1,100

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.66	+0.01	12.79	12.61	25,940	8,512
Mar	12.59	+0.03	12.68	12.38	92,005	13,186
May	12.54	+0.03	12.61	12.37	13,602	2,214
Jul	12.44	+0.05	12.49	12.28	8,679	1,343
Oct	12.23	+0.03	12.24	12.13	3,308	277
Mar	11.76	-0.03	11.79	11.76	761	54
Total					144,285	23,589

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	69.73	-0.30	70.20	69.55	2,590	1,179
Dec	68.96	-0.28	69.39	68.61	27,731	6,268
Mar	70.42	-0.26	70.80	70.10	9,981	1,102
May	71.47	-0.38	71.95	71.41	5,298	469
Jul	72.35	-0.45	72.90	72.35	3,532	201
Oct	69.62	-0.06	69.75	69.47	417	13
Total					51,065	9,281

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	85.75	+1.80	86.00	84.40	24	1
Nov	87.70	+0.75	87.80	86.75	12,316	640
Jan	91.10	+0.35	91.40	90.70	5,933	514
Mar	94.85	+0.90	94.85	94.10	3,972	173
May	98.45	+0.90	97.55	97.55	855	24
Jul	100.95	+0.90	-	-	497	1
Total					23,628	1,362

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 19	Sep 16	month ago	year ago
2112.2	2105.9	2087.1	1604.7

■ CRB Futures (Base: 1967=100)

Sep.16	Sep 15	month ago	year ago
229.16	228.90	229.77	215.32

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	68.625	-1.250	69.775	68.525	30,169	4,768
Dec	68.075	-0.800	68.900	67.825	20,161	2,500
Feb	67.450	-0.350	67.850	67.250	12,246	1,533
Apr	68.625	-0.325	68.850	68.500	8,931	895
Jun	65.800	-0.350	66.175	65.800	2,014	100
Aug	65.450	-0.425	65.550	65.400	977	43
Total					74,581	9,844

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	37.300	-0.400	37.550	37.025	10,482	1,916
Dec	38.350	-0.075	38.600	38.000	12,014	1,894
Feb	39.200	-	39.350	38.850	3,651	480
Apr	39.050	-	39.300	38.975	2,380	291
Jun	44.225	+0.025	44.250	44.000	713	65
Aug	43.000	-0.100	43.000	42.975	93	10
Total					29,808	4,663

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	40.350	-0.175	40.600	39.750	7,448	2,210
Mar	40.400	-0.175	40.550	39.775	519	190
May	41.025	-0.175	41.060	40.850	141	34
Jul	42.025	-0.375	42.350	41.850	149	47
Aug	41.150	-0.350	41.250	40.650	35	9
Total					8,292	2,490

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1575	30	80	22	55
1600	18	67	35	67
1625	10	56	52	80
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2500	46	102	28	81
2550	23	78	55	107
2600	10	59	91	137
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	474	537	34	148
3650	434	505	44	166
3700	394	474	54	185
■ COCOA LCE	Dec	Mar	Dec	Mar
975	42	90	43	58
1000	32	77	58	70
1050	17	57	93	100
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1600	26	54	-	60
1650	18	-	83	92
1700	7	31	-	

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov) +or-

Dubai	$14.91-4.95u	+0.11
Brent Blend (dated)	$15.44-5.48	+0.11
Brent Blend (Nov)	$15.94-5.96u	+0.11
W.T.I. (1pm est)	$17.12-7.14u	+0.13

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$172-175	+1
Gas Oil	$148-149	+1
Heavy Fuel Oil	$73-75	+1
Naphtha	$156-157	+1
Jet fuel	$168-169	+1

Petroleum Argus assessments

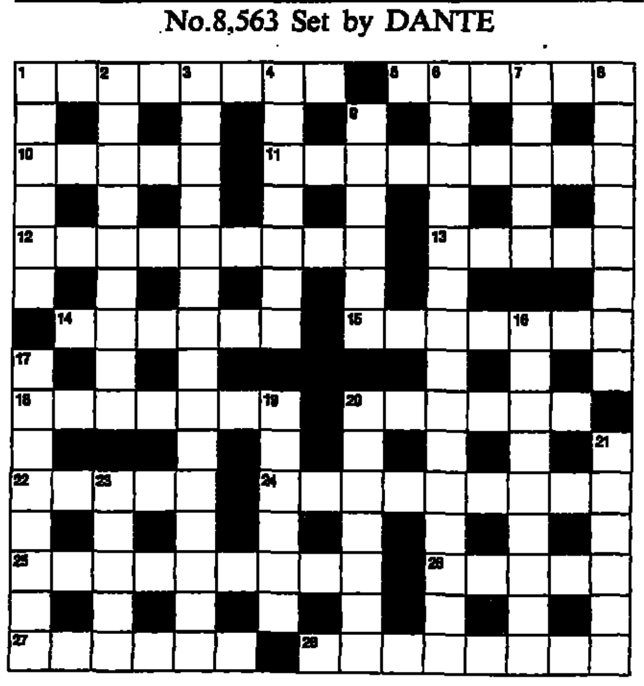
■ OTHER

Gold (per troy oz)♣	$390.25	-0.35
Silver (per troy oz)♣	543.6c	-6.0
Platinum (per troy oz.)	$413.00	+3.75
Palladium (per troy oz.)	$152.25	+2.50
Copper (US prod.)	126.0c	+2.0
Lead (US prod.)	38.25c	
Tin (Kuala Lumpur)	13.17m	-0.01
Tin (New York)	244.5c	-2.0
Cattle (live weight)†©	115.33p	-2.26*
Sheep (live weight)†♣©	86.56p	-1.47*
Pigs (live weight)©	71.21p	-1.61*
Lon. day sugar (raw)	$312.70	-3.70
Lon. day sugar (wte)	$340.20	+0.20
Tate & Lyle export	£311.00	-4.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$136.0	
Wheat (US Dark North)	£180.0	
Rubber (Oct)¥	89.00p	-0.50
Rubber (Nov)¥	87.00p	-0.50
Rubber KL RSS No1 Aug	329.0 m	+9.5
Coconut Oil (Phil)§	$622.5z	-7.5
Palm Oil (Malay.)§	$602.5t	-17.5
Copra (Phil)§	$404.0	-8.0
Soyabeans (US)	£163.0u	-1.0
Cotton Outlook 'A' index	75.20c	-0.70
Wooltops (64s Super)	485p	+10

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov. t Oct. z Sep/Oct. w Sep . ¥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

CROSSWORD

No.8,563 Set by DANTE



ACROSS

1 Novel container (8)
5 Remarks not intended for the other players (6)
10 Princess to show hesitancy in speech after press is seen (5)
11 Possibly one magazine required to complete a set (3,6)
12 Listing us as potential interpreters (9)
13 He is finally snookered in return (5)
14 Sees a letter goes to the agents (6)
15 Failure in phone or exchange (2-5)
18 Continue to flirt? (5-2)
20 Great enthusiasm for two natural products (6)
22 Used to make the link at Gretna Green (5)
24 Dealing with management (9)
25 Hurl down six balls before defeat (9)
26 Glory in Count Luxembourg's return (5)
27 Shattered when thrown (6)
28 Do they help one to see what one is eating? (3-5)

DOWN

1 Animated – by champagne? (6)
2 Roger is an eccentric co-ordinator (9)
3 Brussels town hall? (9,6)
4 Work's rising, employs partners (7)
6 Give a blow that may result in early retirement (5,3,7)
7 Don't allow an untidy beard (5)
8 Cricketers facing the bowlers or those who are out (8)
9 An inventor having no team back up (6)
16 To harass people thus is in itself clever (9)
17 A spot of capital punishment (8)
19 Kind disposition (6)
20 Tiny set-up in the fight for fast US motor traffic (7)
21 Make an effort to reduce the rent? (6)
23 Shortens sail, seeing dangerous rocks (5)

Solution to Saturday's prize puzzle on Saturday October 1.
Solution to yesterday's prize puzzle on Monday October 3.

LONDON STOCK EXCHANGE

MARKET REPORT

Little strength behind nervous rally in shares

By Terry Byland,
UK Stock Market Editor

Securities markets in London rallied yesterday but trading volume was subdued and concern over the outlook for interest rates in the US and Germany remained high. Gains were trimmed towards the close when UK bonds reacted to sterling weakness in the face of a strong US currency.

The FT-SE 100 Index continued to move between two important trading benchmarks, dipping to 3,048.3 in early dealings and then rising to 3,085.3 at the day's best. The final reading of 3,079.1 showed a net gain on the day of 14 points. The December contract on the Footsie, now the lead player in stock index futures, regained a premium against the underlying cash market.

Analysts saw little change in market sentiment yesterday. The focus remained very much on the US interest rate outlook, with investors showing nervousness ahead of a speech from Mr Alan Greenspan, chairman of the Federal Reserve and of the possibility of a move on rates at the meeting of the Federal Open Market Committee next week. The next rise in US interest rates was seen as a matter of timing.

Although shares opened lower, it was clear that Friday afternoon's selling bout had blown itself out, at least for the present. The long end of the gilt-edged market, which reflects inflation worries, improved, but falls in the short dates, more closely linked to base rate prospects, indicated underlying fears.

With turnover relatively poor, it was the blue chip, dollar-orientated, stocks which saw most of the recovery. The FT-SE Mid 250 Index, covering a wide range of shares, slipped 8.1 to 3,608.

Seaq volume totalled only 469.1m shares, down more than 17 per cent from Friday when, despite the shakeout in share prices, retail, or genuine investment activity in equities was worth only £1.2bn, a modest total by recent daily averages.

London was keeping a wary eye on the trading screens for the announcement of the latest M3 money supply data due this week from Germany. "A further tightening in Federal Reserve policy has probably been priced into the market; but any sign of tightening by the Bundesbank will send markets plunging," said one leading analyst.

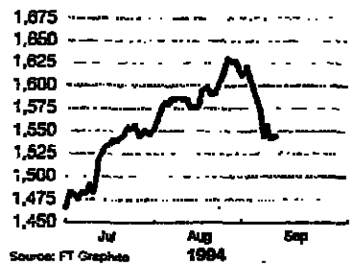
This week also brings hurdles for the stock market in the shape of the UK M4 lending figures and non-EU trade statistics. At the end of the week, markets will be poised for the US August durable goods orders, which fell sharply in the previous month but are expected to show a renewed surge and thus fuel fears that the Federal Reserve may feel obliged to tighten policy more quickly than markets anticipate. On Friday, the latest estimates of UK gross domestic product will also throw light on the progress of economic recovery in the UK.

The London stock market paid little heed yesterday to comments from Mr Kenneth Clarke, the UK chancellor of the exchequer, that he would continue to adjust interest rates so as to sustain recovery. A rise in mortgage rates by the Halifax building society, while no surprise in view of last week's rise in base rates and similar moves by other building societies, kept the market focus on the near term outlook for domestic interest rates.

Gains in leading oil and pharmaceutical stocks gave a good lead to the Footsie index, but owed some of their strength to the dollar rather than to investment activity in the London stock market. Retail and consumer issues had a more uncertain session, with some struggling to recoup a little of Friday's losses while others gave further ground.

Construction issues, also closely linked to interest rate perceptions, traded narrowly with losses among those with interests in the German economy. But traders stressed that much of yesterday's activity reflected little more than a tidying-up operation in the wake of Friday's widespread shakeout.

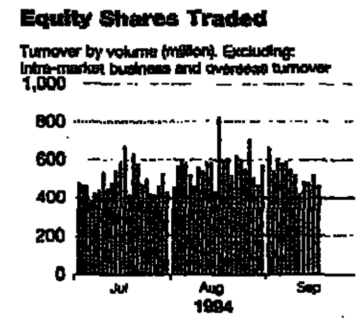
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3079.1	+14.0	FT Ordinary index	2389.5	+1.4
FT-SE Mid 250	3608.0	-8.1	FT-SE-A Non Fins p/e	19.01	(18.98)
FT-SE-A 350	1553.1	+4.6	FT-SE 100 Fut Dec	3081.0	-27.5
FT-SE-A All-Share	1543.64	+3.93	10 yr Gilt yield	9.07	(9.08)
FT-SE-A All-Share yield	3.89	(3.90)	Long gilt/equity yld ratio:	2.32	(2.31)

Best performing sectors		Worst performing sectors	
1 Tobacco	+1.9	1 Other Financial	-1.3
2 Gas Distribution	+1.8	2 Building & Construc	-1.2
3 Extractive Inds	+1.7	3 Building Materials	-1.1
4 Life Assurance	+1.5	4 Printing, Paper & Pckg	-0.8
5 Banks	+1.2	5 Other Services & Bsns	-0.7

Tesco attracts buyers

Supermarkets group Tesco was among the FT-SE 100's best individual performers and the heaviest traded stock in the index as the market became increasingly optimistic about sales and a stabilisation of profit margins ahead of interim figures which are expected this morning. Tesco's numbers mark the opening of the food retailing sector's results season.

Analysts' forecasts of Tesco's half-year profits range from around £240m to £252m with the interim expected to rise by 10 per cent to 2.7p.

Sentiment in Tesco, and the food retailing sector as a whole was helped by a positive research circular published by NatWest Securities who upgraded their profits estimates for Tesco, Argyll, Morrison and Sainsbury. The broker upgraded its stance on the sector to neutral after increasing its 1995 earnings growth forecasts from 4 per cent to 10 per cent, matched by dividend growth, citing gross margin recovery at mainstream superstores and a transfer of margin pressures to discount stores.

NatWest restored its "add" recommendation to Tesco, whose shares touched 256p, their highest level since March 1993 before slipping back to close a net 2¼ higher at 251p. Turnover reached 10m shares.

Argyll put on 6 to 290p and Sainsbury settled a penny off at 439p. Kwik-Save, the discount retailer, dipped 3 to 604p after Dairy Farm International, which holds a 29.4 per cent stake, said it had no present intention of bidding for the group. A standstill agreement, preventing Dairy Farm from increasing its 29.9 per cent stake, has been allowed to lapse.

Asda holds its agm tomorrow, while William Morrison reports interims on Thursday. Sainsbury's interims are scheduled for November 2, Kwik-Save's on november 3 and Argyll's on November 30. Asda reports interims on December 16.

Strong drugs sector

Drug shares rebounded yesterday and recovered much of the loss being caused by the big hit the sector took in Friday's volatile market.

Bid speculation stocks Zeneca and Wellcome made up the most ground and, following the pattern of recent trading, again moved in line with each other. Wellcome jumped 28 to 685p with some market watchers noting a shortage of the stock. Volume was moderate at 1.8m. Zeneca pushed ahead 23 to 833p. Speculative buying along with corrective action after Friday's fall was said to have been behind the moves as bid anticipation rumbled on.

Glaxo, which went ex-dividend yesterday, fell back 12 to 572p although after a dividend of 18p its share price effectively improved by 6p. SmithKline Beecham continued to enjoy steady support and its price firmed 4 to 430p.

According to one analyst sentiment in the pharmaceuticals sector was further buoyed by an upbeat KPMG Peat Marwick report into acquisitions and mergers in the healthcare industry.

James Capel, one of the City's leading agency brokers, was cited as the driving force behind the good showing of Cable & Wireless, which moved up 4½ to 405½p with high turnover of 5.3m shares.

Vodafone, on the other hand, continued to disappoint, the shares sliding 3 more to 183½p with 5.1m traded. Vodafone shares have fallen over 12 per cent since the end of August, compared with a 5 per cent decline in the FT-SE 100 and a 7.3 per cent decline in the FT-SE Actuaries telecoms index.

Hints in the market that Arjo Wiggins, the paper group, may be considering a £500m-plus rights issue to finance a $1.5 bn US acquisition was put forward by traders as the reason behind the marked weakness of Arjo shares which retreated around 8 to 258p after turnover of 2m shares.

There were plenty of good performers in the utilities sectors, notably the Recs where East Midlands came in for strong support, closing 16 higher at 737p and London Electricity 12 higher at 700p, the latter after talk of heavy demand from Goldman Sachs, the influential US investment bank.

A NatWest Securities buy recommendation triggered good support for Southern Water, which moved up 10 to 583p.

MAI, the financial services and media group, came under fire in the stockmarket after releasing mildly disappointing preliminary results. The shares dropped 13 to 255½p.

The banks were in the forefront of the market's mid-session rally but turnover in the sector was well down on recent levels. "The market got itself short of these things, and that was it; there was no weight of buying, simply a mark-up," said one dealer.

Royal Bank of Scotland was the sector's outstanding performer, the shares climbing 9 to 417p after talk that Mr Peter Wood, chief executive of Royal Bank's hugely successful Direct Line insurance company had met with banking analysts at Credit Lyonnais Laing, Royal Bank's broker.

ICI had a buoyant day and pushed up 9 to 842p.

Activity was strong in Coats Viyella with 3.4m shares changing hands. The price improved 6 to 208p as one analyst said that buyers were returning to the stock after its relatively weak performance recently.

Peel Holdings was the one noticeable mover among property shares, rising 4 to 261p on hopes that its plans for a big shopping development in Manchester may finally get the go-ahead next year.

Further consideration of the trans-Atlantic fare wars sparked last weement k by Continental Airlines of the US, led to a 2¼ decline (for 9 in two sessions) to 380p at British Airways.

Eurotunnel gained 5 to 279p on the announcement that its overture Shuttle service would finally start on or around November 15.

After a bounce last week Carlton Communications slipped back 4 to 850p after a very mixed trading day in the media sector. A combination of profit-taking and reaction to recent presentations by the company to analysts was put behind the fall.

Recouping half of Friday's losses, British Aerospace rose 6 to 479p ahead of tomorrow's announcement of interim results. Traders are looking for a strong profits recovery, possibly to £75m pre-tax after £20m last time.

British Steel was again in demand, moving up 3¼ to 156½p on the back of autumn price rises ranging from 3 to 7 per cent.

MARKET REPORTERS:
Steve Thompson,
Jeffrey Brown,
Christine Buckley.

■ Other statistics, Page 27

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (21).
BUILDING & CNSTRN (1) Sindall (Wm). CHEMICALS (1) Amber Inds, ELECTRNC & ELECT EQUP (1) Thorpe (F.W.), EXTRACTIVE INDS (8) FOOD MANUF (1) Williamson, INVESTMENT TRUSTS (1) Kleinwort Dev Fd, LEISURE & HOTELS (1) Jurys Hotel, MEDIA (2) Grampian TVA, Princedale. OIL EXPLORATION & PROD (2) Gulfstream Res Canada, Ramco Energy, RETAILERS, FOOD (1) Tesco, RETAILERS, GENERAL (1) Oliver, SPIRITS, WINES & CIDERS (1) Matthew Clark, SUPPORT SERVS (1) Sage Group. CANADIANS (1) Inco. SOUTH AFRICANS (1) SASOL.
NEW LOWS (132).
GILTS (23) OTHER FIXED INTEREST (2) BANKS (2) Bank of Scotland 9¼pc Irred Prf., Mitsubishi, BUILDING & CNSTRN (7) Barratt Dev., Beazer Homes, Bryant Group, Laing (John), Do. A N/Vtg, Do. 8.4pc Cv Pf, Wilson Bowden, BLDG MATLS & MCHTS (7) Caradon, Do. Cnv. Prf., Hepworth, Heywood Williams, Do. Cnv. Prf., Meyer Intl., Ramus, CHEMICALS (1) Wellington, DISTRIBUTORS (6) Bogod Group A, European Motor, Litho Supplies, PCT, Pendragon, DIVERSIFIED INDLS (2) BTR, BTR Nylex, ELECTRNC & ELECT EQUP (1) Dowding & M., ENGINEERING (3) APV, Half Eng., Nectronica Tech, ENG. VEHICLES (2) BBA, Benson, EXTRACTIVE INDS (2) Ashanti, Delta Gold, FOOD MANUF (2) Bols Wessanen, Danone, INSURANCE (1) Marsh & McLennan, INVESTMENT TRUSTS (28) INVESTMENT COMPANIES (1) JF Pacific Warrant Co, LEISURE & HOTELS (1) CentreGold, LIFE ASSURANCE (2) Transatlantic, Do. B 6pc Cv Pf, OIL EXPLORATION & PROD (2) Energy Equity, Utd. Energy, OIL, INTEGRATED (1) Chevron, OTHER FINANCIAL (2) Intrum Justitia, Johnson Fry, PHARMACEUTICALS (1) Proteus Intl, PRTNG, PAPER & PACKG (3) Barrose, Hunterprint, Watmoughs, PROPERTY (10) RETAILERS, GENERAL (6) Betterware, Body Shop, Great Universal, Kleeneze, Partridge Fine Arts, Stonehouse, SUPPORT SERVS (7) BSM, Coutts Consulting, MR Data Man, Macro 4, OIS Intl. Inspection, Stat-Plus, Sungard Data, TEXTILES & APPAREL (2) Haggas (J), Lamont, TRANSPORT (2) Transport Dev, Vard, AMERICANS (8).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures had a volatile day in thin trading volume, occasionally making attempts to drive the cash markets but in the main showing little initiative.

The day's trading range on the FT-SE December contract was close to 50 ticks with the market touching a low of 3,054 late in the morning and hitting a best of 3,101 about an hour before the 4.10pm close.

At the finish the index stood at 3,081 with the premium to the cash market a bare 2 points and the fair value premium - bolstered by the long run of the new contract - extending to 19 points.

Business was noticeably weak and described by one trader as "well below average". There were 10,848 lots compared to an average of 21,000 for the final three days of last week. Institutional players stayed on the sidelines with activity almost exclusively accounted for by independent traders.

Activity in traded options was was also well down on the preceeding session with 22,605 contracts, against more than 51,000 on Friday.

FT-SE and Euro FT-SE options accounts for more than half of overall activity. Kingfisher (1,434 lots) and BTR (1,076 lots) were the most actively traded individual stock options.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3071.0	3081.0	+23.0	3101.0	3054.0	11067	59785
Mar	3103.0	3104.0	+23.0	3114.0	3103.0	10	855

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec	-	3625.0	-5.0	-	-	0	3391

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Dec	-	3626.0	-	-	-	-	636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3080) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Oct	185	15	143	23½	108½	37	73½	54½	47½	79	28	110½	15½	149	9	191½
Nov	202½	27½	165	38½	128½	52½	98	72½	72	95	51½	124½	36	158	22	195½
Dec	222	43	185	56	151½	73	121½	92½	94	114½	71½	142	51½	171½	37	207
Jan	242½	58½	208	71½	179	92	147½	109½	117	129	86	156½	75	187	69½	222½
Jun†	360½	88			240	122			184	165			139½	220		

Calls 4,633 Puts 4,856

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Oct	205	12½	161½	18	122½	26½	87½	43½	58½	65½	37	92½	21½	127	11½	166½
Nov	226½	25½	184	32½	149	47½	114	61½	87½	84½	61	107½	43½	138½	28½	172
Dec	236½	33½	198	45	164½	60	133	77½	164½	98½	88	123½	68	151½	42½	184½
Mar			245	71			182	105½			129	148			88	205½
Jun†			281	98			230	130½			175	171			130	221½

Calls 1,022 Puts 1,529 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500	3550	3600	3650	3700	3750	3800	3850
Dec			169¼ 92¼	139½ 114½	116 140			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Sep 19	Day's chge%	Sep 16	Sep 15	Sep 14	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3079.1	+0.5	3065.1	3112.7	3079.8	3004.5	4.10	6.97	16.96	99.63	1164.02
FT-SE Mid 250	3608.0	-0.2	3616.1	3648.9	3628.4	3423.6	3.46	5.67	21.25	95.81	1342.08
FT-SE Mid 250 ex Inv Trusts	3606.5	-0.2	3614.2	3646.3	3628.2	3439.7	3.62	6.13	19.79	98.97	1338.36
FT-SE-A 350	1553.1	+0.3	1548.5	1570.2	1555.6	1506.0	3.95	6.66	17.79	48.16	1200.71
FT-SE SmallCap	1870.23	-0.3	1875.10	1879.89	1879.72	1766.15	3.15	4.65	26.99	42.10	1449.46
FT-SE SmallCap ex Inv Trusts	1839.91	-0.2	1844.27	1848.42	1848.97	1768.50	3.34	5.15	24.67	43.20	1429.69
FT-SE-A ALL-SHARE	1543.64	+0.3	1539.71	1559.98	1546.37	1493.72	3.89	6.51	18.26	46.93	1213.79

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	3,800	331	-2¼
ASDA Group†	5,700	87	+1
Abbey National†	1,000	401	+6½
Albert Fisher	579	51	
Allied Domecq†	2,400	583	-3½
Anglian Water	253	535	-1
Argos	108	335	-4
Argyll Group†	2,900	296	+6
Arjo Wiggins†	2,000	258	-7¼
Assoc. Brit. Foods†	83	563	+1

LONDON EQUITIES

LIFFE EQUITY OPTIONS

FT GOLD MINES INDEX

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	27	29	14
Other Fixed Interest	1	2	12
Mineral Extraction	67	55	76
General Manufacturers	97	177	370
Consumer Goods	39	41	107
Services	76	127	293
Utilities	20	14	11
Financials	102	89	175
Investment Trusts	38	192	236
Others	31	57	18
Totals	500	783	1312

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	September 12	Expiry	December 8
Last Dealings	September 23	Settlement	December 22

Calls: Bluebird Toys, Brit Biotech Wts, Grand Central, Greenwich Res, Kenmare, Next. Puts: Kenmare. Puts & Calls: Sunleigh.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	19.5	89	77½	Baillie G Shn Wrts	77½	-1	-	-	-	-
100	F.P.	18.2	102	95	Beacon Inv Tst	96		-	-	-	-
-	F.P.	1.52	48	39	Do. Warrants	40		-	-	-	-
-	F.P.	1.30	1½	1	Cont'l Foods Wrts	1¼		-	-	-	-
-	F.P.	24.4	62	61	Emerging Mkts C	61		-	-	-	-
120	F.P.	21.4	120	118	Independent Parts	120		LN4.0	1.3	4.2	22.1
-	F.P.	-	77	55	JF Fl Japan Wrts	55	-3	-	-	-	-
-	F.P.	28.7	67	35	¼Magnum Power	64	+1	-	-	-	-
23	F.P.	10.8	31	29	Orbis	29		-	-	-	-
-	F.P.	0.56	17	5½	Panther Wrts.	16	-1	-	-	-	-
-	F.P.	0.82	40	28	Petroceltic	28		-	-	-	-
-	F.P.	3.50	44	30	Suter Wrts 99/04	30	-3	-	-	-	-
-	F.P.	118.3	379	376	Templeton E New	376		-	-	-	-
-	F.P.	12.9	212	192	Templeton E W 04	209	-2	-	-	-	-
-	F.P.	2.24	35	28	Tops Ests Wrts	28	-1	-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
475	Nil	4/10	58pm	45pm	Commercial Union	45pm	-1
360	Nil	21/10	48pm	13pm	EMAP	13pm	-5
252	Nil	11/11	34pm	19pm	Weir	20pm	+1

FINANCIAL TIMES EQUITY INDICES

	Sep 19	Sep 16	Sep 15	Sep 14	Sep 13	Yr ago	*High	*Low
Ordinary Share	2389.5	2388.1	2426.2	2397.4	2426.5	2328.3	2713.6	2240.6
Ord. div. yield	4.30	4.30	4.24	4.29	4.24	3.99	4.46	3.43
Earn. yld. % full	6.13	6.13	6.04	6.11	6.04	4.70	6.13	3.82
P/E ratio net	17.41	17.41	17.68	17.47	17.68	27.16	33.43	17.41
P/E ratio nil	18.00	18.00	18.28	18.06	18.28	25.08	30.80	18.00

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2380.6	2376.8	2377.0	2385.0	2384.5	2387.8	2388.5	2385.2	2390.8	2395.8	2370.3

	Sep 19	Sep 16	Sep 15	Sep 14	Sep 13	Yr ago
SEAQ bargains	24,512	24,749	24,238	24,312	25,093	27,711
Equity turnover (£m)†	-	1193.7	1180.8	1237.5	1163.7	995.3
Equity bargains†	-	27,771	27,658	26,700	27,228	30,778
Shares traded (ml)†	-	469.4	621.3	477.8	490.2	444.2

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21¼	+⅜	£25⅜	£20⅞	6,608	5.1	φ
ANZ A$		189	+3	278¼	179¼	2,516	5.0	28.4
Abbey National	†N□	401xd	+8½	523	381	5,261	4.8	13.5
Allied Irish I£	‡†N□	245xd		314	234	1,679	5.1	9.4
Anglo Irish I£	N□	57	-1	*70	50	196.2	7.5	10.4
Asahi Y		671½	+1	819¼	628	15,585	0.7	φ
Banco Bil Viz Pta		£16	-⅛	£16⅞	£14⅞	3,517	6.4	6.8
Banco Sant Pta		£26⅛		*£30½	£23¼	3,948	5.5	9.1
Bk Ireland I£	‡□	280		*319	246	1,323	4.7	8.1
Bank Scotland	‡N□	199	+4	247	172½	2,322	3.2	16.3
9¼pc Pf		111½	-¼	141½	111½	111.6	10.4	-
9¼pc Pf		117	+¼	148½	116¼	117.0	10.4	-
Barclays	‡†N□	592xd	+6	640	487	9,637	3.5	18.3
Dai Ichi Kan Y		£10⅞	-⅛	£12⅞	£10⅞	34,253	0.5	-
Deutsche DM		£292⅞	+5⅛	£344¼	£270⅞	13,947	2.3	-
Espirito Santo		£9⅞	+⅛	*£13⅞	£8⅞	208.0	3.9	4.9
First Nat Fin	N□	74		*80	60	124.9	2.5	-
6.3pc Cv Pf		77		*90	77	5.18	10.2	-
7pc Cv Pf		134		171	123	63.6	8.5	-
Fuji Bank Y		1323¼	-4½	1649¼	1152½	38,347	0.4	φ
HSBC HK	†N□	737xd	+5	1133	680	12,897	4.2	10.7
HSBC (75p Shs)	†N□	717xd	+5½	1113	660	6,094	4.3	10.4
Lloyds	†N□	559xd	+4½	680	519	7,200	5.2	10.9
Mitsubishi Y		£15⅞	-⅛	£18⅞	£15⅞	45,186	0.3	φ
Mits Tst & Bk Y		936¼	-8¼	1162¼	687½	11,219	0.6	14.6
Mitsui Tst & Bk Y		684½	+4¼	879	514	8,201	0.8	22.7
Nat Aust A$	†	492	-2	620¼	489¼	6,585	5.7	10.3
NatWest	†N□	492xd	+8½	622	421	8,197	4.9	9.1
Ottomane FFr		£21¼	+¼	£33	£21¼	106.6	6.7	φ
Ryl Bk Scotland	‡†N□	417	+9	528	377½	3,340	3.6	18.9
Sakura Y		£8⅞	-⅛	£9⅞	£8⅛	27,827	0.7	51.0

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

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FT Cityline

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh

Whittingdale Unit Tst Mngmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT

Woolwich Unit Trust Managers Ltd (1700)H
2 White Oak Square, Swanley BR8 7AG

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY

CAF – Charity Money Management
48 Pembury Rd, Tonbridge TN9 2JD

CIM Unit Trust Managers Ltd

Cent. Bd. of Fin. of Church of England‡
2 Fore Street, London EC2Y 5AQ

Deposit Fund: See Money Market Trust Funds.

Chargguard UK Equity Fd/Fixed Int Fd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

Acuma Life Assurance Ltd
42 Southwark Bridge Road, London SE1 9HE 071 ... 3435

AEGON Life Assurance Co (UK) Ltd
AEGON Hse, Lanark Sq, London E14 9QS 071-538 8600

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Clerical Medical/Fidelity Investments

Friends Provident - Contd.

Lancashire & Yorkshire Assce Society

MGM Assurance (z)

Norwich Union Life Insurance Soc. - Contd.

Prudential Individual Pension Funds

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc
109 St Vincent St, Glasgow 041-248 6321

	Bid Price	Offer Price	+ or -	Yield Gross
Pits End Sep 13	1637.9	1684.6	—	-
Pen Mngd Aug 31	1405.9	1449.4	—	-
Safety Fund	223.6	235.4	+1.60	-
Growth Fund	226.6	238.5	+2.00	-
Opportunity Fund	221.9	233.3	+1.80	-
Worldwide Venture Fnd	182.4	192.1	+1.80	-
UK Equity Fund	237.4	249.9	+2.20	-
UK Smaller Cos. Fund	225.5	237.4	+1.30	-
European Fund	349.7	368.2	+2.60	-
Far Eastern Fnd	373.0	392.7	+3.30	-
Japanese Fnd	142.9	150.1	+1.20	-
North American Fund	234.7	247.1	+3.40	-
International Fund	291.5	306.9	+3.00	-
Gilts & Fxd Int Fund	187.4	197.3	+0.60	-
Index-Linked Fund	173.3	182.5	-0.10	-
Property Fund	132.1	139.1	—	-
Cash Fund	173.4	182.5	+0.10	-
Pens Safety Fnd	270.6	284.8	+2.30	-
Pens Growth Fnd	244.1	257.0	+1.70	-
Pens Opportunity Fnd	246.9	259.8	+1.60	-
Pens W'wide Venture Fnd	193.8	204.0	+1.80	-
Pens UK Equity Fnd	238.2	250.8	+2.00	-
Pens UK Smlr Co's Fnd	205.2	216.0	+1.20	-
Pens European Fnd	323.7	340.8	+1.30	-
Pens Far East Fnd	459.9	485.0	+2.40	-
Pens Japanese Fnd	139.5	146.9	+1.10	-
Pens Nth American Fnd	298.1	313.8	+3.40	-
Pens International Fnd	303.1	319.3	+2.40	-
Pens Gilts/Fxd Int Fnd	225.2	237.1	+0.80	-
Pens Index-linked Fnd	179.3	188.8	-0.20	-
Pens Property Fnd	147.3	155.1	-0.10	-
Pens Cash Fund	215.8	227.0	—	-
Pens Hedge Fnd	232.3	244.6	+0.20	-

Scottish Provident Group
6 St Andrew Sq, Edinburgh 031-556 2052
Scottish Provident Institution Funds
Life Funds

[illegible]

Scottish Widows' Group
[illegible]

Standard Life Assurance Company
[illegible]

Sun Alliance Group - Contd.
[illegible]

Sun Life Unit Assurance Ltd
[illegible]

Swiss Life (UK) PLC
[illegible]

TSB Life Ltd
[illegible]

Target Life Assurance Co Ltd
[illegible]

Tunbridge Wells Equitable
[illegible]

Woolwich Life Assurance Co Ltd
[illegible]

Zurich Life Assurance Co Ltd
[illegible]

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co
[illegible]

Century Life International Ltd
[illegible]

Equitable Life (International)
[illegible]

Friends Provident International
[illegible]

Hansard International Ltd
[illegible]

Isle of Man Assurance Group
[illegible]

Scottish Provident Intl Life Assn Ltd
[illegible]

Sun Alliance International Life
[illegible]

Sun Life International (IOM) Ltd
[illegible]

MANAGEMENT SERVICES

Capital Trust Financial Management
[illegible]

Fairmount Financial Services Ltd
[illegible]

Knight Williams & Company Ltd
[illegible]

Macartney & Bowie Invest Mngt Plc
[illegible]

J. D. Ward Financial Services Ltd
[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
[illegible]

Jupiter Tyndall (Bermuda) Ltd
[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Magnet Co (Guernsey) Ltd
[illegible]

Arab Bank Fund Managers (Guernsey) Ltd
[illegible]

Lazard Frères Asset Management (CI) Ltd
[illegible]

Lloyds Bank Fund Managers (Guernsey) Ltd
[illegible]

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd
[illegible]

Dresdner Intl Management Services Ltd
[illegible]

GAM Fund Management Ltd
[illegible]

GT Asset Management (Ireland) Ltd
[illegible]

Morgan Grenfell Investment Funds Ltd
[illegible]

Old Mutual International Fd Mngrs (Ireland) Ltd
[illegible]

Scottish Value Management (Ireland) Ltd
[illegible]

IRELAND (REGULATED)(**)

[illegible]

Morgan Grenfell Emerging Mkts Fund Plc
[illegible]

Scottish Amicable European
[illegible]

Ulster Bank Investment Services
[illegible]

Yellow Sea Investment Company PLC
[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs
[illegible]

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd
[illegible]

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd
[illegible]

Gartmore Fund Mngrs Intl Ltd - Contd.
[illegible]

John Govett (Channel Islands) Ltd
[illegible]

Lloyds Bank (CI) U/T Mgrs.
[illegible]

Midland Bank Fund Managers (Jersey) Ltd
[illegible]

Prudential Fund Managers (Jersey) Ltd
[illegible]

Royal Bank of Canada (Jsy) Fd Mgt Ltd
[illegible]

TSB Trust Funds (CI)
[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds
[illegible]

Citibank (CI) Ltd
[illegible]

Fleming Group
[illegible]

Foreign & Colonial Mngmt (Jersey) Ltd
[illegible]

Jupiter Tyndall (Jersey) Ltd
[illegible]

Lombard Odier (Jersey) Ltd
[illegible]

Royal Bk of Scotland Fd Mgrs (Jersey) Ltd
[illegible]

Schroder Mngt Services (Jersey) Ltd
[illegible]

Warburg Asset Management Jersey Ltd
[illegible]

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S.G. Warburg Asset Mngmt Lux SA - Contd.

Investissements Atlantiques SA

World Trust Fund

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. y Previous day's price. ☐ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. § Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase, all ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES AND MONEY

MARKETS REPORT

Swedish krona up

The Swedish krona rebounded from early drops yesterday to consolidate an overall gain after a general election returned the Social Democratic party to power on Sunday, *writes Motoko Rich.*

Against the D-Mark, the Swedish krona finished at SKr4.805, up from SKr4.828. During the day the Nordic currency dipped as low as Skr4.88 as markets were disappointed in the SDP's failure to achieve a majority of parliamentary seats.

The dollar remained range bound but recovered some of its Friday losses on the back of a spate of short covering in the European afternoon. In London, it ended up against the D-Mark at DM1.5528 from DM1.5376 though down against the yen at Y98.7650 from Y98.8550.

Sterling had lost some of its lustre in the aftermath of last week's interest rate rise, as it lost ground against the dollar and the German currency. The pound closed in London at DM2.4347 from DM2.4356 and $1.568 from $1.584.

■ The week opened on a quiet note as market-moving economic data were in short supply and currency traders turned their attention to political and technical factors. Ballot results from Sweden's general election on Sunday catapulted the krona into the limelight.

In early trading the krona dipped against the D-Mark as markets were left uncertain about the prospects for a centre-left coalition, which investors would prefer.

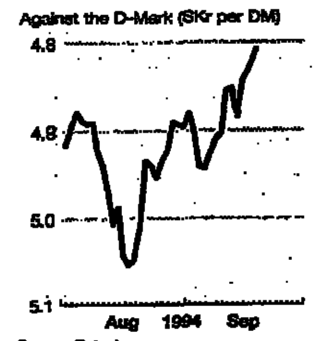
The markets were cheered after a speech by Mr Ingvar Carlsson, prime-minister designate and leader of the SDP, in which he said he wanted to introduce new parliamentary procedures to allow parliament to fix a total budget ceiling.

Analysts said the markets will be keen to see if Mr Carlsson's government can control Sweden's budget deficit.

"If the new leadership fails to turn around the deficit, there will be a sell off of the Swedish krona," said Mr Neil MacKinnon, chief economist at Citibank. "Right now the currency is in a honeymoon period."

Swedish krona

Against the D-Mark (SKr per DM)



Source: Datastream

■ **Pound in New York**

Sep 19	—Latest—	– Prev. close –
£ spot	1.5685	1.5790
1 mth	1.5678	1.5783
3 mth	1.5658	1.5764
1 yr	1.5493	1.5611

The markets appeared to continue the Scandinavian theme as they drove the Finnish markka to its highest level against the D-Mark this year, at FM3.1775.

This regional focus is likely to continue this week as traders look to the general election in Denmark tomorrow. Mr MacKinnon said he anticipated the Danish krone reaching as high as DKr3.85 against the D-Mark. Yesterday in London it finished at DKr3.938.

■ Technically driven trade urged the dollar back up against the D-Mark. After testing the US currency's downside on Friday, the markets took the absence of any dramatic follow-through as a sign that it was safe to consolidate positions and raise the dollar on short-covering.

Mr Adrian Cunningham, senior currency economist at UBS, said he expected the dollar to remain within a five-pfennig range against the D-Mark, between DM1.5250 and DM1.5750. "That range should hold until a fundamental catalyst from outside arrives."

He said that a catalyst would most likely come from the trade talks between the US and Japan in advance of the September 30 deadline for sanctions. If the talks go well, the dollar should benefit.

US officials were optimistic that a Japanese fiscal reform package, expected this morning, could help to correct the trade imbalance.

■ Sterling continued to show some independence from the dollar, though to its detriment. While the US currency enjoyed a rebound, the UK currency trickled down against the D-Mark and lost its sixteen month high against the dollar.

But Mr Malcolm Barr, international economist at Chemical Bank, did not think the pound would remain detached from the dollar for long. "There may have been a bit of de-coupling of sterling from the dollar, but I would be sceptical of saying that it will continue," he said.

■ The German currency was looking vulnerable as it wavered on the crosses. It gave up its gains against the Italian lira and finished at L1010 from L1011. Against the French franc, it closed at FFr3.416 from FFr3.418.

Mr Cunningham said the markets were retreating from the D-Mark because of a growing belief that the Bundesbank will soon raise the discount rate by 25 basis points.

A report from the Bundesbank stating that Germany is on course for economic growth free of inflation spurred further speculation that a spate of monetary loosening could be in the offing.

■ In the UK money markets, the Bank of England forecasted a £500m shortage and initially provided £200m assistance at established rates. Later it provided liquidity of £300m at established rates. Overnight money traded betwee 2 1/2 and 5 per cent.

The September short sterling contract, which expires tomorrow, traded 5,800 lots to finish at 94.15 from 94.16. The December Euromark contract traded 40,660 lots and settled at 94.66 from 94.67.

■ **OTHER CURRENCIES**

Sep 19	£	$
Hungary	168.616 - 168.890	107.570 - 107.870
Iran	2738.00 - 2741.00	1748.00 - 1750.00
Kuwait	0.4659 - 0.4669	0.2972 - 0.2977
Poland	35958.5 - 36004.9	22940.0 - 22955.0
Russia	3658.15 - 3662.85	2333.00 - 2338.00
U.A.E.	5.7448 - 5.7562	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Sep 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1422	-0.0197	328 - 515	17.1682	17.1005	17.1378	0.3	17.128	0.4	-	-	116.0
Belgium	(BFr)	50.1086	-0.0092	848 - 324	50.1970	50.0130	50.1236	-0.4	50.0686	0.3	49.7836	0.6	116.7
Denmark	(DKr)	9.5887	-0.0162	840 - 933	9.6291	9.5745	9.5934	-0.6	9.6128	-1.0	9.6554	-0.7	116.5
Finland	(FM)	7.7605	-0.0388	507 - 703	7.8300	7.7280	-	-	-	-	-	-	85.1
France	(FFr)	8.3178	-0.0083	132 - 217	8.3387	8.3007	8.3171	0.1	8.3188	-0.1	8.2728	0.5	110.2
Germany	(DM)	2.4347	-0.0009	335 - 358	2.4402	2.4292	2.4338	0.5	2.431	0.6	2.4018	1.4	125.8
Greece	(Dr)	370.588	-0.17	369 - 762	371.528	369.441	-	-	-	-	-	-	-
Ireland	(I£)	1.0151	-0.0009	142 - 159	1.0172	1.0124	1.015	0.1	1.0162	-0.4	1.0208	-0.6	104.6
Italy	(L)	2459.02	-3.87	745 - 058	2469.81	2453.48	2464.82	-2.7	2476.87	-2.9	2531.17	-2.9	75.2
Luxembourg	(LFr)	50.1086	-0.0092	848 - 324	50.1970	50.0130	50.1236	-0.4	50.0686	0.3	49.7836	0.6	116.7
Netherlands	(Fl)	2.7293	-0.002	278 - 309	2.7353	2.7242	2.7284	0.4	2.7252	0.6	2.6927	1.3	120.6
Norway	(NKr)	10.6766	-0.0071	716 - 815	10.7212	10.6022	10.6763	0.0	10.6794	-0.1	10.6806	0.0	95.8
Portugal	(Es)	247.588	-0.427	430 - 745	248.400	247.307	249.318	-8.4	252.496	-7.9	-	-	-
Spain	(Pta)	201.920	-0.389	816 - 023	202.542	201.506	202.326	-2.4	203.055	-2.2	205.89	-2.0	85.8
Sweden	(SKr)	11.6958	-0.0688	862 - 054	11.8754	11.6473	11.7148	-1.9	11.7623	-2.3	11.9758	-2.4	75.6
Switzerland	(SFr)	2.0220	+0.0008	205 - 234	2.0262	2.0176	2.0194	1.5	2.0137	1.6	1.9782	2.2	122.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.6
Ecu	-	1.2758	-0.0024	749 - 766	1.2804	1.2745	1.2762	-0.3	1.2766	-0.2	1.2575	1.4	-
SDR†	-	0.934272	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5681	-0.0152	675 - 687	1.5816	1.5670	-	-	-	-	-	-	-
Brazil	(R)	1.3375	-0.0184	355 - 385	1.3504	1.3350	-	-	-	-	-	-	-
Canada	(C$)	2.1189	-0.0203	178 - 200	2.1360	2.1170	2.1184	0.3	2.1178	0.2	2.1166	0.1	87.5
Mexico	(New Peso)	5.3273	-0.0544	217 - 329	5.3685	5.3210	-	-	-	-	-	-	-
USA	($)	1.5680	-0.016	675 - 685	1.5813	1.5667	1.5673	0.5	1.5656	0.7	1.549	1.2	62.3
Pacific/Middle East/Africa													
Australia	(A$)	2.1070	-0.0222	060 - 079	2.1273	2.1053	2.1069	0.0	2.1083	-0.2	2.1266	-0.9	-
Hong Kong	(HK$)	12.1160	-0.1236	113 - 206	12.2187	12.1085	12.1121	0.4	12.111	0.2	12.1181	0.0	-
India	(Rs)	49.1662	-0.5019	646 - 078	49.6010	49.1510	-	-	-	-	-	-	-
Japan	(Y)	154.864	-1.722	791 - 936	156.180	154.630	154.494	2.9	153.594	3.3	148.589	4.0	189.8
Malaysia	(M$)	4.0078	-0.0397	057 - 099	4.0442	4.0053	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5980	-0.0239	961 - 999	2.6206	2.5960	2.6019	-1.8	2.6097	-1.8	2.6319	-1.3	-
Philippines	(Peso)	40.2978	-0.728	713 - 242	40.8570	39.9610	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8807	-0.06	786 - 828	5.9303	5.8761	-	-	-	-	-	-	-
Singapore	(S$)	2.3215	-0.0276	204 - 226	2.3431	2.3202	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5588	-0.0654	568 - 627	5.6152	5.5563	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9071	-0.0705	892 - 249	6.9529	6.8834	-	-	-	-	-	-	-
South Korea	(Won)	1254.87	-12.81	369 - 605	1264.72	1253.10	-	-	-	-	-	-	-
Taiwan	(T$)	41.1228	-0.4061	093 - 363	41.4712	41.0891	-	-	-	-	-	-	-
Thailand	(Bt)	39.1451	-0.3836	248 - 654	39.4560	39.1200	-	-	-	-	-	-	-

†SDR rates for Sep 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9325	+0.098	300 - 350	10.9360	10.8520	10.9325	0.0	10.9323	0.0	10.8575	0.7	104.3
Belgium	(BFr)	31.9570	+0.317	520 - 620	31.9750	31.7240	31.9642	-0.3	31.977	-0.3	32.112	-0.5	105.9
Denmark	(DKr)	6.1152	+0.0515	142 - 162	6.1201	6.0835	6.1217	-1.3	6.1417	-1.7	6.2189	-1.7	104.9
Finland	(FM)	4.9493	+0.0255	446 - 540	4.9656	4.9210	4.9493	0.0	4.9563	-0.6	5.0043	-1.1	79.6
France	(FFr)	5.3045	+0.0483	035 - 055	5.3150	5.2682	5.307	-0.6	5.3123	-0.6	5.279	0.5	106.5
Germany	(D)	1.5528	+0.0152	525 - 530	1.5550	1.5409	1.553	-0.2	1.5531	-0.1	1.5488	0.3	107.0
Greece	(Dr)	236.330	+2.28	280 - 380	236.800	233.750	236.63	-1.5	237.255	-1.6	240.005	-1.6	69.1
Ireland	(I£)	1.5448	-0.0143	440 - 455	1.5590	1.5425	1.5442	0.5	1.5412	0.9	1.5228	1.4	-
Italy	(L)	1568.25	+13.4	775 - 875	1570.75	1556.50	1572.5	-3.3	1582.15	-3.5	1633.75	-4.2	75.8
Luxembourg	(LFr)	31.9570	+0.317	520 - 620	31.9750	31.7240	31.9642	-0.3	31.977	-0.3	32.112	-0.5	105.9
Netherlands	(Fl)	1.7406	+0.0163	401 - 411	1.7430	1.7276	1.7408	-0.2	1.7406	-0.1	1.7359	0.3	105.8
Norway	(NKr)	6.8090	+0.0643	080 - 100	6.8155	6.7530	6.814	-0.9	6.834	-1.5	6.9065	-1.4	96.2
Portugal	(Es)	157.900	+1.325	850 - 950	158.250	156.880	158.65	-5.7	162.325	-11.2	166.9	-5.7	95.3
Spain	(Pta)	128.775	+1.055	750 - 800	128.880	127.950	129.08	-2.9	129.71	-2.9	132.655	-3.0	80.9
Sweden	(SKr)	7.4591	+0.0332	553 - 628	7.5185	7.4021	7.4756	-2.7	7.5141	-2.9	7.7066	-3.3	80.6
Switzerland	(SFr)	1.2895	+0.0135	890 - 900	1.2920	1.2798	1.2884	1.0	1.2863	1.0	1.2745	1.2	108.7
UK	(£)	1.5680	-0.016	675 - 685	1.5813	1.5667	1.5673	0.5	1.5655	0.7	1.549	1.2	88.1
Ecu	-	1.2291	-0.0102	287 - 295	1.2360	1.2265	1.2282	0.9	1.2264	0.9	1.199	2.4	-
SDR†	-	1.46335	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	+0.0005	000 - 001	1.0001	0.9998	-	-	-	-	-	-	-
Brazil	(R)	0.8530	-0.003	520 - 540	0.8540	0.8510	-	-	-	-	-	-	-
Canada	(C$)	1.3514	+0.0009	511 - 516	1.3526	1.3510	1.3518	-0.3	1.3527	-0.4	1.361	-0.7	84.0
Mexico	(New Peso)	3.3975	-	950 - 000	3.4000	3.3950	3.3985	-0.4	3.4003	-0.3	3.4077	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3437	-0.0005	435 - 439	1.3457	1.3433	1.3439	-0.2	1.3446	-0.3	1.352	-0.6	87.0
Hong Kong	(HK$)	7.7270	-	265 - 275	7.7275	7.7265	7.7268	0.0	7.7275	0.0	7.7425	-0.2	-
India	(Rs)	31.3688	-	650 - 725	31.3725	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	98.7650	-0.09	500 - 800	98.8800	98.4300	98.575	2.3	98.115	2.6	95.74	3.1	149.4
Malaysia	(M$)	2.5560	+0.0008	555 - 565	2.5585	2.5550	2.5468	4.3	2.5355	3.2	2.609	-2.1	-
New Zealand	(NZ$)	1.6569	+0.0017	562 - 576	1.6584	1.6560	1.6578	-0.7	1.6597	-0.7	1.665	-0.5	-
Philippines	(Peso)	25.7000	-0.2	000 - 000	26.0000	25.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7506	3.7503	3.7518	-0.4	3.7559	-0.6	3.7745	-0.6	-
Singapore	(S$)	1.4806	-0.0024	803 - 808	1.4840	1.4795	1.4792	1.1	1.4773	0.9	1.4706	0.7	-
S Africa (Com.)	(R)	3.5458	-0.0055	450 - 465	3.5563	3.5370	3.5613	-5.2	3.5896	-4.9	3.6663	-3.4	-
S Africa (Fin.)	(R)	4.4050	-	950 - 150	4.4150	4.3850	4.4387	-9.2	4.4975	-8.4	-	-	-
South Korea	(Won)	800.300	-	800 - 800	800.800	799.800	803.3	-4.5	806.8	-3.2	825.3	-3.1	-
Taiwan	(T$)	26.2263	+0.0085	260 - 265	26.2270	26.2200	25.2463	-0.9	26.2863	-0.9	-	-	-
Thailand	(Bt)	24.9650	+0.01	600 - 700	24.9700	24.9580	25.0375	-3.5	25.165	-3.2	25.645	-2.7	-

†SDR rate for Sep 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 16 Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.14	16.60	4.859	2.028	4907	5.446	21.31	494.1	402.9	23.35	4.035	1.996	4.229	3.129	309.1	2.546
Denmark	(DKr)	52.26	10	8.675	2.539	1.059	2564	2.846	11.14	258.2	210.6	12.20	2.109	1.043	2.210	1.635	161.5	1.331
France	(FFr)	60.24	11.53	10	2.927	1.220	2956	3.281	12.84	297.7	242.7	14.07	2.431	1.202	2.547	1.885	186.2	1.534
Germany	(DM)	20.58	3.938	3.416	1	0.417	1010	1.121	4.386	101.7	82.92	4.805	0.830	0.411	0.870	0.644	63.61	0.524
Ireland	(I£)	49.37	9.447	8.195	2.399	1	2423	2.689	10.52	243.9	198.9	11.53	1.992	0.985	2.088	1.545	152.6	1.257
Italy	(L)	2.038	0.390	0.338	0.099	0.041	100.	0.111	0.434	10.07	8.211	0.476	0.082	0.041	0.086	0.064	6.299	0.052
Netherlands	(Fl)	18.36	3.514	3.048	0.892	0.372	901.1	1	3.914	90.73	73.98	4.287	0.741	0.366	0.778	0.575	56.76	0.468
Norway	(NKr)	46.92	8.978	7.786	2.280	0.950	2302	2.555	10	231.8	189.0	10.96	1.893	0.936	1.984	1.468	145.0	1.195
Portugal	(Es)	20.24	3.873	3.359	0.983	0.410	993.1	1.102	4.313	100.	81.54	4.725	0.817	0.404	0.856	0.633	62.56	0.515
Spain	(Pta)	24.82	4.749	4.120	1.206	0.503	1218	1.352	5.290	122.6	100.	5.795	1.001	0.495	1.050	0.777	76.72	0.632
Sweden	(SKr)	42.83	8.196	7.109	2.081	0.868	2102	2.332	9.128	211.6	172.6	10	1.728	0.855	1.811	1.340	132.4	1.091
Switzerland	(SFr)	24.78	4.742	4.114	1.204	0.502	1216	1.350	5.282	122.5	99.85	5.786	1	0.495	1.048	0.775	76.61	0.631
UK	(£)	50.11	9.589	8.318	2.435	1.015	2459	2.729	10.68	247.6	201.9	11.70	2.022	1	2.119	1.568	154.9	1.276
Canada	(C$)	23.65	4.525	3.925	1.149	0.479	1160	1.288	5.040	116.8	95.28	5.521	0.954	0.472	1	0.740	73.10	0.602
US	($)	31.96	6.115	5.305	1.553	0.647	1568	1.740	6.811	157.9	128.8	7.462	1.290	0.638	1.351	1	98.79	0.814
Japan	(Y)	32.35	6.190	5.370	1.572	0.655	1587	1.762	6.895	159.8	130.3	7.553	1.305	0.646	1.368	1.012	100.	0.824
Ecu		39.27	7.515	6.519	1.908	0.795	1927	2.139	8.370	194.0	158.2	9.169	1.585	0.784	1.661	1.229	121.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6473	0.6460	-0.0022	0.6478	0.6458	7,448	56,318
Dec	0.6481	0.6456	-0.0025	0.6487	0.6453	56,336	74,915
Mar	-	0.6487	-	-	-	459	3,838

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0120	1.0154	+0.0043	1.0154	1.0120	6,718	28,091
Dec	1.0180	1.0225	+0.0046	1.0227	1.0179	25,893	41,381
Mar	1.0295	1.0295	+0.0040	1.0295	1.0290	170	2,274

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

■ **STERLING FUTURES** (IMM) £62,500 per £

EMS EUROPEAN CURRENCY UNIT RATES

Sep 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14987	+0.00101	-2.14	5.39	-
Belgium	40.2123	39.4613	+0.01	-1.87	5.10	14
Germany	1.94964	1.91709	+0.00042	-1.67	4.89	-
Ireland	0.808628	0.798580	-0.002455	-1.24	4.43	8
France	6.53883	6.55135	-0.00187	0.19	2.94	-2
Portugal	192.854	195.157	+0.17	1.19	1.92	-8
Denmark	7.43679	7.55962	+0.00026	1.65	1.46	-11
Spain	154.250	159.086	+0.03	3.14	0.00	-22
NON ERM MEMBERS						
Greece	264.513	291.874	-0.018	10.34	-6.53	-
Italy	1793.19	1939.48	+4.74	8.16	-4.64	-
UK	0.786749	0.786326	-0.001622	0.20	2.93	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

UK INTEREST RATES

LONDON MONEY RATES

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.16	0.02	0.01	0.01	0.86	1.65
9425	0.01	0	0	0.11	1.09	2.09
9450	0	0	0	0.35	1.34	2.34

Est. vol. total, Calls 12909 Puts 8201. Previous day's open int., Calls 355406 Puts 315018

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williman Secs	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	*Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of London Investment Banking Association

* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Petroleos Argentina San Jorge S.A.

Notice of Securityholders' Meeting

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 19 / Sch)

BELGIUM/LUXEMBOURG (Sep 19 / Frs.)

DENMARK (Sep 19 / Kr)

FINLAND (Sep 19 / Mkk)

FRANCE (Sep 19 / Frs.)

GERMANY (Sep 19 / Dm.)

ITALY (Sep 19 / Lire)

NETHERLANDS (Sep 19 / Fls.)

NORWAY (Sep 19 / Kroner)

SPAIN (Sep 19 / Pts.)

SWEDEN (Sep 19 / Kroner)

SWITZERLAND (Sep 19 / Frs.)

PACIFIC

JAPAN (Sep 19 / Yen)

HONG KONG (Sep 19 / H.K.$)

MALAYSIA (Sep 19 / MYR)

SINGAPORE (Sep 19 / S$)

AUSTRALIA (Sep 19 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Sep 19 / Can $)

4 pm close

MONTREAL (Sep 19 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Sep 19 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, September 19, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyota Motor	5.7m	1,960	-50	Nomura Sec	3.4m	2,090	-20
Mitsubishi Hvy	4.9m	749	+6	Toshiba	3.3m	737	-7
Nippon Steel	4.4m	378	+2	Oki Elect	3.2m	750	-15
Kawasaki Steel	4.2m	422	-4	Hitachi	3.0m	947	-9
Sumitomo Mtl Ind	3.9m	330	+3	Toray Inds	2.8m	745	-5

INDICES

	Sep 19	Sep 16	Sep 15	1994 High	1994 Low
Argentina					
General (29/12/77)	(u)	20808.12	20637.93	25470.40 16/2	17758.90 20/4
Australia					
All Ordinaries(1/1/80)	2049.1	2059.0	2050.8	2340.60 3/2	1957.40 27/6
All Mining(1/1/80)	1070.9	1075.2	1075.0	1136.10 3/2	904.60 5/5
Austria					
Credit Aktien(30/12/84)	404.56	404.68	413.23	480.66 2/2	398.87 22/6
Traded Index(2/1/91)	1097.61	1099.07	1120.19	1222.25 1/2	1011.38 6/5
Belgium					
BEL20 (1/1/91)	1416.67	1422.95	1427.81	1542.85 9/2	1388.06 13/7
Brazil					
Bovespa (29/12/83)	(u)	52937.0	52875.0	55110.00 13/9	38000.99 3/1
Canada					
Metals, Mnls♦(1975)	(u)	4230.77	4164.35	4239.77 16/9	3289.06 20/4
Composite♦ (1975)	(u)	4403.90	4385.50	4609.90 23/3	3859.99 24/6
Portfolio§§ (4/1/83)	(u)	2102.16	2090.59	2182.88 1/2	1059.17 20/7
Chile					
IPGA Gen (31/12/80)	(c)	4947.4	4907.5	4947.40 16/9	3981.20 4/4
Denmark					
CopenhagenSE(3/1/83)	354.51	354.75	353.72	415.79 2/2	352.74 12/9
Finland					
HEX General(28/12/90)	1894.4	1908.0	1897.4	1972.00 4/2	1601.10 3/1
France					
SBF 250 (31/12/90)	1301.82	1303.78	1331.10	1585.20 2/2	1285.36 4/7
CAC 40(31/12/87)	1922.87	1924.59	1977.30	2355.93 2/2	1886.18 4/7
Germany					
FAZ Aktien(31/12/58)	796.15	805.62	803.07	859.27 18/5	767.81 27/6
Commerzbank(1/12/53)	2262.9	2281.8	2263.8	2485.50 2/5	2149.30 27/6
DAX (30/12/87)†	2096.76	2116.73	2113.98	2271.11 18/5	1958.82 20/6
Greece					
Athens SE(31/12/80)	861.50	851.80	841.56	1194.58 16/1	886.67 25/5
Hong Kong					
Hang Seng(31/7/64)	9801.43	9968.52	9862.64	12201.09 4/1	8389.44 4/5
India					
BSE Sens.(1979)	4553.79	4617.61	4604.15	4628.57 12/9	3454.00 5/1
Indonesia					
Jakarta Comp.(10/8/82)	522.05	525.63	522.03	612.89 5/1	449.72 12/7
Ireland					
ISEQ Overall(4/1/88)	1901.55	1894.16	1899.41	2082.16 20/1	1694.14 1/7
Italy					
Banca Comm Ital (1972)	674.53	673.49	661.34	817.17 10/5	588.85 10/1
MIB General (4/1/94)	1093.0	1009.0	1071.0	1318.00 10/5	944.00 10/1
Japan					
Nikkei 225 (16/5/49)	19554.11	19796.26	(c)	21552.81 13/6	17369.74 4/1
Nikkei 300 (1/10/82)	285.27	287.95	(c)	311.71 13/6	268.22 4/1
Topix (4/1/68)	1561.68	1576.21	(c)	1712.73 13/6	1445.97 4/1
2nd Section (4/1/68)	2229.57	2249.90	(c)	2542.65 6/7	1873.33 4/1
Malaysia					
KLSE Comp.(4/4/86)	1180.68	1185.27	1176.06	1314.46 5/1	928.33 4/4
Mexico					
IPC (Nov 1978)	(u)	(c)	2604.64	2881.17 8/2	1957.33 20/4
Netherland					
CBS TtlRtnGen(End 83)	434.7	433.8	437.2	454.88 31/1	408.30 21/6
CBS All Shr (End 83)	273.1	273.9	276.1	294.80 31/1	257.90 21/6
New Zealand					
Cap. 40 (1/7/86)	2105.67	2111.87	2093.20	2439.64 3/2	1945.61 11/7
Norway					
Oslo SE(Ind)(2/1/83)	1053.97	1054.81	1067.45	1211.10 28/2	980.91 21/6
Philippines					
Manila Comp (2/1/85)	2936.21	2942.38	2954.45	3308.37 4/1	2507.33 9/3
Portugal					
BTA (1977)	2928.1	2934.0	2936.3	3225.60 18/2	2612.80 20/6
Singapore					
SES All-S'pore(2/4/75)	568.11	569.98	567.64	641.61 4/1	523.29 4/4
South Africa					
JSE Gold (28/9/78)	2358.0♥	2405.0	2427.0	2594.00 7/9	1749.00 14/2
JSE Indl. (28/9/78)	6452.0♥	6520.0	6523.0	6757.00 15/6	5446.00 19/1
South Korea					
KoreaCmpEx(4/1/80)**	(c)	1000.80	988.75	1023.61 17/9	855.37 2/4
Spain					
Madrid SE (30/12/85)	300.43	301.21	304.44	358.31 31/1	291.43 6/7
Sweden					
AffarsvarldnGen (1/2/37)	(u)	1449.3	1461.9	1603.90 31/1	1334.70 6/7
Switzerland					
Swiss Bk Ind (31/12/58)	1236.03	1228.82	1240.24	1423.34 31/1	1157.97 18/7
SBC General (1/4/87)	930.71	926.07	932.83	1093.29 31/1	888.16 13/7
Taiwan					
WeightedPr.(30/6/66)**	(c)	6281.20	6089.97	7048.24 17/9	5194.63 19/3
Thailand					
Bangkok SET (30/4/75)	1540.20	1546.24	1534.04	1753.73 4/1	1198.59 4/4
Turkey					
Istanbul Cmp.(Jan 1986)	22785.0	23685.8	24216.6	28883.60 13/1	12980.70 24/3
WORLD					
MS Capital Int (1/1/70)$	633.7*	635.6	636.6	644.00 2/8	591.80 4/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	1356.96	1358.91	1369.54	1540.19 31/1	1303.48 21/6
Euro Top-100 (26/6/90)	1192.91	1194.43	1204.58	1311.81 2/2	1143.85 21/6
JCapelOrgns (31/12/88)	(u)	344.80	341.35	395.18 5/1	290.28 21/3
Barings Emerg.(7/1/92)	190.70	190.22	189.61	190.70 19/9	141.85 21/4

** Sat Sep 17: Taiwan Weighted Price 7049.24; Korea Comp Ex 1023.61. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal ♦ Toronto. (c) Closed (u) Unavailable † IBIS/DAX after-hours index: Sep 19 - 2100.65 +3.10

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	1939.0	1927.0	+1.0	1943.0	1924.0	22,464	38,872
Oct	1947.5	1938.5	+1.0	1949.5	1934.0	-	4,043
Dec	1966.5	1955.0	+0.5	1969.5	1955.0	1,432	15,601

Open interest figures for previous day.

US INDICES

Dow Jones	Sep 16	Sep 15	Sep 14	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3933.35	3953.88	3895.33	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.08	97.58	97.45	105.61 (21/1)	95.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1566.33	1576.45	1578.29	1862.29 (2/2)	1546.02 (30/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	177.23	179.74	177.70	227.86 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3955.22 (3959.80) Low 3894.66 (3883.90) (Theoretical♠)
Day's high 3953.88 (3954.89) Low 3912.83 (3894.33) (Actual♠)

Standard and Poors	Sep 16	Sep 15	Sep 14	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	471.19	474.81	468.80	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	557.02	560.83	553.39	560.83 (15/9)	510.05 (21/4)	560.83 (15/9/94)	3.62 (21/6/32)
Financial	45.42	45.85	45.44	46.94 (14/6)	41.39 (4/4)	48.40 (26/8/93)	8.64 (1/10/74)
NYSE Comp.	259.77	261.42	258.48	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	459.86	459.74	457.33	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	777.81	776.66	768.61	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 16	Sep 9	Sep 2	Year ago
Dow Jones Ind. Div. Yield	2.69	2.71	2.63	2.82
	Sep 14	Sep 7	Aug 31	Year ago
S & P Ind. Div. yield	2.37	2.37	2.33	2.47
S & P Ind. P/E ratio	20.91	20.96	21.11	27.84

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	472.50	473.30	+0.75	473.45	472.25	74,354	201,822
Mar	476.35	476.50	+0.80	476.50	476.30	998	6,449
Jun	-	479.35	-	-	-	3	1,952

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Wal-Mart	5,715,600	24⅝	-⅛
IBM	5,138,500	71	+1⅛
Ford Motor	5,089,000	28⅝	-⅛
A T & T	4,846,300	55	-⅛
Merck	4,556,500	34⅛	...
Gen Elec	4,488,100	51⅛	-⅛
Gen Motors	4,099,300	50⅝	-1⅛
Coca-Cola	4,078,300	47⅝	-⅜
Hanson	3,821,700	19⅛	+⅛
Compaq	3,453,600	37⅝	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Sep 16	Sep 15	Sep 14
New York SE	410.625	280.490	297.438
Amex	17.332	17.223	19.831
NASDAQ	299.795	278.675	264.341
NYSE			
Issues Traded	2,868	2,855	2,854
Rises	722	1,541	1,084
Falls	1,406	605	1,043
Unchanged	740	709	727
New Highs	48	69	31
New Lows	83	42	84

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close September 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅛	12¾	AAR	0.48	3.6	22	189	13⅜	13	13¼	-¼
16⅞	12⅝	A L Labs A	0.18	1.1	38	209	16	15¾	15⅞	
75¼	57⅝	AMP	1.68	2.3	28	1085	73⅝	73⅛	73⅝	+¼
72¾	52⅛	AMR			97	4223	56⅝	55⅜	55⅜	-⅝
5	3⅛	ARX			13	55	3⅞	3⅞	3⅞	
58⅛	38⅝	ASA	2.00	3.9	34	1378	51⅝	50⅛	51½	+1⅛
31⅜	25⅜	AbbotL	0.76	2.5	18	7339	31⅛	30⅝	30⅝	-⅛
14⅝	11⅜	Abitibi Pr	0.50	3.3	11	510	u15⅛	14⅜	15⅛	+½
23⅝	17¾	ABM Ind	0.52	2.3		8	22½	22¼	22¼	-¼
15⅛	11⅛	Acptncain			27	294	15	14¾	14⅞	
31	22⅞	ACE Ltd	0.44	1.8	31	502	25	24¾	25	
12½	9⅝	ACM Gvt In	1.09	11.2		439	9¾	d9⅝	9¾	+⅛
10⅛	7⅛	ACM GvOpp	0.80	11.0		209	7¼	d7⅛	7¼	+⅛
10⅝	7½	ACM Gvt Sp	0.96	12.8		263	7⅝	d7½	7½	
12	8½	ACM Gvt Se	1.09	12.5		598	8¾	8⅝	8¾	+¼
11¾	8⅜	ACM Man	1.08	12.0		143	9	8⅞	9	+⅛
9¼	8	ACM Managd	0.72	9.0		199	8⅛	d8	8	-⅛
15½	8¾	AcmeClv	0.44	3.2	17	545	13⅞	13	13⅞	+⅝
9⅞	6½	Acme Elect			7	25	8⅝	8½	8½	-⅛
28¾	23	Acordia	0.60	2.2	13	9	27⅛	27	27⅛	+⅛
13¼	5¼	Actava	0.36	3.6	2	248	10⅜	10⅛	10⅛	-¼
16⅛	11¼	Acuson			720	465	16	15⅝	15⅝	-⅛
18⅜	16½	Adams Expr	0.48	2.8	0	138	17½	17⅜	17⅜	
64	46½	Ad Micro	3.00	4.9		387	62¼	60¾	61	+¼
31¾	16¾	AdvMic	3.00	10.0	13	13931	31	30	30	
6⅞	5	Advest Grp	0.16	3.0	8	10	5⅜	5⅜	5⅜	
20	15	Advo Inc	0.10	0.61	18	181	18	17¾	17⅞	+⅛
59½	49⅜	Aegon ADR	1.47	2.6	12	144	56¾	56	56½	+⅜
65¼	47¾	Aetnal	2.76	5.7	7	2531	49⅛	48⅛	48¼	-⅜
36⅛	25¼	Aflac	0.46	1.3	14	4119	34⅜	34	34⅛	
[illegible]										
53⅞	34¼	Bausch	0.98	2.5	14	1340	39¼	38¾	38⅞	-⅛
28¾	21⅝	Baxter	1.05	3.8	42	2335	28½	27¾	28	-⅜
28⅞	23¼	Bay St Gas	1.46	5.8	15	75	25⅛	24⅞	25⅛	-⅛
22½	19⅛	Bd Tr 1838	1.72	8.3		15	20⅞	20¾	20¾	-⅛
23½	15⅞	Bear Stns	0.60	3.6	4	3922	17¼	16⅞	16⅞	+⅛
50¼	46¾	BearStPfA	2.83	5.9		44	48	47	48	
37½	27¾	Bearings	0.64	2.1	21	102	31	31	31	
32½	23	Beckman In	0.40	1.3	25	760	31¼	30	30⅜	-⅞
46⅛	34⅛	BectnD	0.74	1.6	16	1665	u46¼	45¼	45⅞	+⅛

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Continued on next page

4 pm close September 19

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close

Continued from previous page

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
49⅞	32⅝	Sallie Mae	1.40	3.9	7	1584	36⅜	35¾	35⅞	-⅝
13⅞	11⅞	Salomon Br	0.32	2.5		313	12⅝	12½	12⅝	
52¾	40⅞	Salomn	0.64	1.6	5	1843	41½	41	41	
25	17½	SnDgGE	1.52	8.2	10	388	18⅝	18⅜	18½	+⅛
10	7½	SantaFeERs	0.16	1.8	9	653	9	8⅞	9	+⅛
17⅝	13½	SFeGd				2463	16¾	16⅝	16¾	
40	31½	SantaFePac	2.80	8.2	18	114	35⅛	34⅛	34⅛	-1⅛
28¼	16½	SanFeP	0.10	0.4	12	1422	22¾	22½	22⅝	+⅛
28	18⅝	SaraLee	0.64	2.8	15	6457	23	22⅝	22⅝	-¼
50⅛	42⅛	Scana Corp	2.82	6.5	11	118	43⅞	43½	43⅝	-⅛
20½	12½	Scecrp	1.00	7.9	8	2988	12⅞	12⅝	12⅝	
41¾	31¾	SchererRP			31	139	40⅝	40¼	40⅝	+⅜
71⅞	54½	SchrPl	2.04	3.0	16	5084	68¾	67⅞	68¼	+⅛
63	50¾	Schlmb	1.20	2.2	23	3901	55⅞	55⅛	55¾	+⅛
33⅞	23¾	Schwab(C)	0.28	0.9	14	1913	30	29¾	29⅞	+⅛
10¾	6⅝	Schwitzer			26	78	9¼	9⅛	9¼	
45¼	24⅞	SciAtl	0.12	0.3	80	323	44⅝	44⅜	44⅝	+⅜
16⅞	13	Scotsman	0.10	0.6	15	36	16¼	16¼	16¼	-⅛
66⅝	37¼	ScottP	0.80	1.2	17	3857	64⅞	63⅝	64¼	+⅝
26⅝	18⅝	ScuddrNAsF	0.21	0.9		97	24⅞	24¼	24⅝	
12⅝	9½	ScuddrNEuF	0.18	1.6		128	10¼	10⅛	10⅛	
18¼	13½	SeaCnB	0.70	4.0	8	10	17½	17⅜	17⅜	-⅛
16½	14⅞	SeaC1.4625	1.46	9.4		4	15½	15⅜	15½	+⅜
32⅞	20¼	Seagrm x	0.60	1.9	40	3762	32¼	31¾	31⅞	+⅜
29¾	22¾	Seagull En			31	1076	24⅝	24¼	24¼	-⅜
36¼	26⅝	Sealed Air			25	328	33½	33⅛	33⅜	
55⅛	42⅛	SearsR	1.60	3.2	8	5047	50¾	50⅛	50⅜	-⅛

Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.40	10	1103	16¾	16⅛	16¾	+⅝
Perini	0.80	16	10	9⅝	9½	9½	-⅛
Pet Ht&P	1.64	9	2	17⅝	17⅝	17⅝	
Phil LD x	0.24	16	830	59¾	58⅝	58⅝	-1
Pittway A x	0.50	19	77	37⅛	36½	36¾	
Ply Gem	0.12	30	153	23¼	22¾	23	+¼
PMC	0.92	16	5	14¾	14⅝	14⅝	-¼
PresidioA	0.10	1	165	1⅟₁₆	1⅟₁₆	1⅟₁₆	
ReganBrad		35	z100	33	33	33	
RB&W Cp		3	35	5¾	5⅜	5¾	+⅛
SJW Corp	2.10	9	14	36	36	36	+⅛
StheUnion		16	7	17⅞	17⅞	17⅞	

NASDAQ NATIONAL MARKET

4 pm close September 19

★ FINANCIAL TIMES Tuesday September 20 1994

AMERICA

Coca-Cola leads advances at midsession

Wall Street

US stocks battled back yesterday morning, retaking much of the ground lost at the end of last week, in spite of a non-committal bond market, *writes Frank McGurty in New York.*

By 1 pm. the Dow Jones Industrial Average was 12.45 ahead at 3,945.80, while the more broadly based Standard & Poor's 500 was 1.51 better at 472.70. Volume on the Big Board was light, with 148m shares traded by early afternoon.

In the secondary markets, the American SE composite was up 0.87 at 460.73, and the Nasdaq composite was 0.65 higher at 778.56.

A dearth of fresh economic news allowed the market to put aside its concerns over the pace of economic growth and concentrate on a few favourable developments for key individual stocks.

The bond market was marginally supportive in that it managed to steady itself after Friday's rout. By midday, prices on the inflation-sensitive long end were edging higher in lacklustre activity. However, the overall tone remained negative in view of last week's stronger-than-expected readings on industrial production and capacity utilisation.

Sentiment was decidedly more positive in stocks, as it had been on Friday. The Dow industrials were showing surprising buoyancy during a morning when only slim gains had been expected.

Coca-Cola was one of the companies fuelling the advance. The stocks climbed $1¼ to $49 on the company's announcement that its third-quarter sales volume would exceed analysts' projections, though its net income was likely to approximate expectations.

Exxon was also giving a boost to the blue-chip index. The stock gained $1¼ to $60 after a jury ordered the energy group to pay $5bn as punishment for its responsibility for the 1989 Exxon Valdez oil spill. The award, which had been announced late on Friday, was not large enough to damage the company's long-term performance, analysts said.

The court decision prompted Bear Stearns to lift its rating on Exxon. But the securities house downgraded Atlantic Richfield, and its share price back-tracked $2¼ to $101½ as a result.

Elsewhere, Time-Warner was marked up $1¾ to $38 on a published report which raised the possibility of the media group's merger with General Electric. GE, which later denied such a move was under consideration, slipped $½ to $50¾.

The NYSE's most active list was led by Digital Equipment. The stock jumped $1¾ to $26¼ after Cowen & Company issued a "strong buy" recommendation, citing confidence that the computer company would soon return to profitability.

Canada

Toronto built on the strength of blue chips to move higher and the TSE 300 composite index was 28.02 higher at 4,431.87 by noon, in volume of 30.0m shares.

Toronto's utilities group added 54.14, or 1.5 per cent, to 3,614.64 on gains in telephone company shares following a Canadian Radio-television and Telecommunications Commission ruling allowing then to enter some multimedia markets and raise local rates.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-4.05	-1.37	+7.04	-8.17	-3.48	+3.35
Belgium	-2.40	-2.53	+4.58	-7.48	-1.26	+5.71
Denmark	+0.06	-3.27	+2.67	-7.18	-2.85	+4.01
Finland	-2.76	+3.38	+43.17	+23.86	+36.08	+45.68
France	-1.26	-3.31	-4.23	-13.42	-9.16	-2.74
Germany	-3.06	-1.17	+11.18	-7.69	-2.63	+4.26
Ireland	-1.56	+5.43	+17.14	+4.09	+7.56	+15.16
Italy	+3.67	+2.30	+11.69	+10.15	+13.28	+21.27
Netherlands	-1.38	+0.01	+11.95	-4.30	+0.69	+7.79
Norway	-3.90	-5.62	+9.96	-1.16	+2.95	+10.22
Spain	-0.45	-1.41	+2.17	-9.29	-5.19	+1.51
Sweden	+0.33	+2.62	+15.73	+4.11	+9.15	+16.87
Switzerland	-1.28	+1.13	+10.87	-10.52	-2.74	+4.14
UK	-2.54	-4.01	+2.23	-9.77	-9.78	-3.40
EUROPE	-1.71	-1.93	+5.33	-7.87	-4.73	+2.01
Australia	+0.13	-0.14	+9.73	-4.25	-1.97	+4.95
Hong Kong	-1.59	+6.84	+39.68	-16.25	-21.77	-16.25
Japan	-0.47	-3.97	-4.11	+8.52	+14.43	+22.52
Malaysia	+1.19	+5.44	+48.75	-5.50	-6.94	-0.37
New Zealand	-2.01	+3.36	+10.77	+0.65	+1.54	+8.72
Singapore	+0.86	-0.17	+18.67	-7.45	-6.22	+0.41
Canada	+1.69	+5.44	+15.14	+4.60	-4.21	+2.56
USA	+0.61	+1.44	+2.31	+1.17	-5.50	+1.17
Mexico	+1.49	+3.06	+51.15	+7.04	-8.60	-2.15
South Africa	-2.23	+0.84	+55.77	+19.33	+8.54	+16.21
WORLD INDEX	-0.37	-0.87	+3.07	+0.19	-0.34	+6.70

† Based on September 16th 1994.

There was a further spate of turbulence among the European markets on Friday as Wall Street reversed the strong gains seen the day before. But even in a week of generally negative news one or two of the world's equity markets managed a climb into positive territory. Italy's near 4 per cent rise, for instance, assisted by expectations of good news from the forthcoming half year results season, restricted the European component of the FT-Actuaries World indices to a 1.7 per cent fall on the week, still 2 per cent up in dollar terms since the start of the year.

Tomorrow sees the release of the French budget, while Denmark goes to the polls on the same day, two events which are likely to affect the financial markets. According to Bikuben Securities the parliamentary elections in both Sweden and Finland are likely to have only limited, short-term effects on the markets. Of greater importance will be the EU referendums, they say, while on the longer outlook they expect a more positive tone to prevail.

EUROPE

Hochtief, Holzmann draw interest in Frankfurt

The continental bourses went their own diverse ways yesterday for no apparent reason.

FRANKFURT retreated a further 1 per cent but turnover was low. The Dax index fell 21.97 during the official session to 2,096.76, recovering slightly in the post-bourse to 2,100.55.

Turnover was DM5.5bn.

Some brokers have become cautious on Germany as the shadow of the federal election on October 16 has begun to be cast over the country's financial markets. Merck Finck remarked that since December 1993 the Dax had moved in a range between 2,000 and 2,270, while during that same period volatility had risen. It expected this sideways trend to continue ahead of next month's polling.

BNP analysts were more positive on a six month view, having upgraded weightings in cyclical and financial shares, underweighting domestically-orientated companies, and observing that the market remained attractive on an earnings yield basis. BNP had a target of 2,660 for the Dax by the end of next year.

The main news was an announcement in the contruction sector that Hochtief intended to raise its 20 per cent stake in Holzmann to 30 per cent. The former's shares put on DM4 to DM1,030, while the latter rose DM19 to DM882. Hochtief said that it would purchase the stake from BfG Bank. Holzmann, the country's largest construction group, later said that it was willing to co-operate with Hochtief, but would maintain its independence.

PARIS edged down a notch as investors awaited tomorrow's budget, even though most of the proposals have already been factored into prices. The CAC-40 index lost 1.72 to 1,922.87.

JP Morgan commented that given the expected neutral stance of the budget there was unlikely to be a significant effect on sectors. Investors were instead keeping an eye on the presidential elections, scheduled for May 1995, after which key decisions on reducing the deficit would be made.

ZURICH turned higher with Roche and Nestlé leading the way and Wall Street's morning performance also providing a late fillip. The SMI index rose 11.4 to 2,614.7. Nestlé registered rose SFr13 to SFr1,213 in response to Friday's first half figures and as Goldman Sachs raised its rating to moderate outperformer from market performer and also increased its earnings estimates for this year and 1995. Nestlé said yesterday that its purchase of Alpo Petfoods in the US from Grand Metropolitan of the UK was aimed at complementing its existing product line in pet care in the US.

Roche certificates, SFr110 higher at SFr6,070, found fresh favour with foreign buyers after their lower trend in recent sessions. Ciba bearers climbed SFr4 to SFr774 while Sandoz bearers ended SFr6 weaker at SFr678.

Swissair declined SFr5 to SFr850 ahead of the release today of consolidated first half results, with estimates ranging from a loss of SFr25m to a profit of SFr30-35m.

AMSTERDAM moderated slightly, the AEX index drifting down 0.49 to 407.09, after testing the 405 support level. Heineken went against the trend, improving Fl 2.90 to Fl 241.00, on news that its was to build a new brewery in China at an initial cost of $67m.

MILAN picked up in the wake of a strong performance from Fiat as expectations grew of favourable first half figures. The Comit index dipped 3.96 to 674.53, but the real-time Mibtel index finished 42 higher at 10,826 as Fiat picked up L100 to L6,600. Among other industrial stocks following Fiat's lead, Montedison edged L7 higher to L1,427 after Friday's 3.2 per cent advance in the wake of half year figures. Snia added L45 to L2,190 while Pirelli added L65 to L2,565. Olivetti, launching a new company, Olivetti Telemedia, to focus on activities in telecommunications and multimedia, dipped L10 lower to L2,035.

STOCKHOLM closed the session lower, but recovered from opening lows on news that the Social Democrats had not secured a parliamentary majority.

The Affärsvärlden general index closed the day 6.2 lower at 1,443.1, having earlier fallen by 1 per cent.

Brokers remarked that comments Mr Ingvar Carlsson, prime minister designate, that he intended an early implementation of proposals to tighten the budget-making process, helped to calm nerves.

Turnover was SKr2.4bn from Friday's SKr3.7bn.

COPENHAGEN was becalmed ahead of tomorrow's general elections, with dealers seeing no revival until after the vote is over.

The top-20 KFX index closed just 0.06 higher at 97.16 but turnover fell to a meagre SKr320m.

ISTANBUL fell 3.8 per cent as political uncertainty was triggered by the prospects of a parliamentary by-election which could lead to the collapse of the three year old coalition government. The composite index fell 900.72 to 22,785.09.

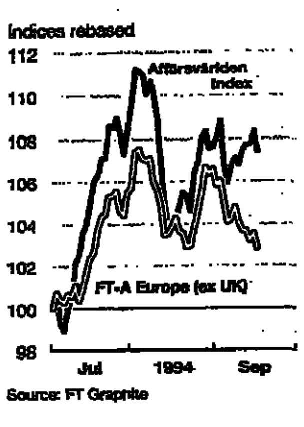
Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Sep 19 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1354.32	1354.35	1354.93	1351.81	1352.51	1354.06	1356.02	1356.96
FT-SE Eurotrack 200	1400.67	1401.75	1402.16	1399.51	1400.71	1401.21	1404.20	1404.55

	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12
FT-SE Eurotrack 100	1358.91	1368.54	1360.68	1367.41	1358.09
FT-SE Eurotrack 200	1406.26	1416.84	1401.55	1412.44	1416.17

Base 1000 (26/10/90); Highday: 100 - 1357.92; 200 - 1405.67 Lowday: 100 - 1351.39 200 - 1399.11 † Partial



Source: FT Graphite

ASIA PACIFIC

Nikkei falls 1.2% as Hong Kong finishes lower

Tokyo

Last minute selling by companies looking to boost profits depressed the Nikkei index, which fell 1.2 per cent, its third consecutive decline, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index lost 242.15 to 19,554.11, having opened at a high of 19,794.36 and falling to a low of 19,543.41 just before the close. Arbitrage selling also weighed on prices while broad based corporate selling increased the bearishness.

Fears of over-supply lingered in spite of weekend reports that Mitsubishi Heavy Industries was likely to postpone its large-lot convertible bond issue scheduled for next month.

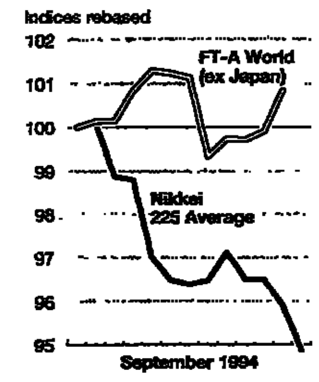
Worries over the yen's further appreciation also prevailed and many investors fear that a breakdown of the bilateral trade talks between the US and Japan could create renewed turmoil on the currency markets.

Volume remained almost flat at 258m shares against 250m. The Topix index of all first section stocks declined 14.53 to 1,561.68 and the Nikkei 300 lost 2.68 to 285.27. Declines led advances by 787 to 194, with 181 issues remaining unchanged.

In London the ISE/Nikkei 50 index index rose 1.05 to 1,275.44.

Toyota Motor, the day's most active issue, fell Y50 to Y1,960 on profit-taking by corporate investors and foreigners. Some electronics stocks were also sold on profit taking by companies – Oki Electric lost Y15 to Y750 while Toshiba declined Y7 to Y737.

Seiyu, the supermarket chain, fell Y40 to Y1,350. Investors were discouraged by reports that the retailer's pre-tax profits were likely to decline by 59 per cent to Y3.1bn for the first six months to September.



Source: FT Graphite

All sectors declined except for pharmaceutical companies. Takeda Chemical added Y20 to Y1,220 and Yamanouchi Pharmaceutical rose Y10 to Y1,930.

Mitsubishi Heavy Industries gained Y6 to Y749 on reports of its likely delay in its convertible bond flotation. However, traders said that Matsushita Electric Industrial was still likely to issue some Y20bn in CBs next month.

Speculators bought Hanwa, the steel trader, which gained Y16 to Y450.

In Osaka, the OSE average fell 185.04 to 21,815.53 in volume of 66m shares. Nintendo, the video game company, fell Y310 to Y5,910.

Roundup

The region's markets saw a mostly depressed performance. Seoul and Taipei were closed for public holidays.

HONG KONG finished 1.7 per cent lower on a round of late selling but trading was very quiet ahead of tomorrow's mid-autumn holiday. The Hang Seng Index fell 167.09 to 9,801.43 after hovering near 9,850 for most of the day, amid worries of further falls on Wall Street. Turnover was HK$3.0bn against HK$4.1bn on Friday.

HSBC Holdings fell HK$1.75 to HK$89 and Hongkong Telecom eased 35 cents to HK$15.65.

Jardine Matheson closed HK$2.50 lower at HK$72 before announcing a 24.2 per cent jump on its interim profit, shortly after the market closed.

Other shares of the Jardine group also fell, mainly on news of an imminent delisting from the Hong Kong market. Hongkong Land slipped 90 cents to HK$19.85, Dairy Farm eased 35 to HK$11.30 and Mandarin Oriental fell 50 to HK$10.70.

The H share index of mainland China stocks eased 43.34 or 2.9 per cent to 1,444.94.

MANILA was weighed by profit-taking that left the composite index 6.17 lower at 2,936.21. Volume dropped to 2.4bn shares from 3.24bn.

Megaworld Properties and Holdings was the top gainer, climbing 11 per cent to 12.75 pesos ahead of the announcement of a huge low-cost housing project that is expected to further strengthen earnings.

The newly-listed Mondragon International Philippines fell 4.4 per cent to 6.50 pesos on profit-taking.

SINGAPORE was worried about inflation and the future direction of US interest rates and the Straits Times Industrials index fell 25.33 or 1.1 per cent to 2,271.85.

SHANGHAI's A share index fell 5.4 per cent at the close, mainly on news that the stock exchange authorities will crack down on brokerages which fail to settle their transactions, three times a month.

The A index fell 55.22 points to 959.24, dropping below the key support level of 1,000 points on shrinking turnover of Yn3.8bn.

Brokerages on the exchange are said to have run up Yn500m in deficits since August 1 when the market began surging.

Shanghai's B share index edged up on a technical rebound after losses in the past three trading days. The index gained 0.61 to 82.94.

KUALA LUMPUR saw foreign selling of blue chip stocks which dragged the composite index 4.61 lower to 1,180.66, ending a four-day rising streak.

North Borneo Timber surged M$1.10 to M$14.40 before its suspension at mid-morning amid speculation that a Sabah state timber concession will be injected into it.

SYDNEY was lower in listless trading, following on from Friday's fall on Wall Street, but buying support for some industrial and oil and gas stocks restricted the decline.

The All Ordinaries Index closed 9.9 lower at 2,049.1.

WELLINGTON staged a comeback though the day to wipe out most of its early losses and the NZSE-40 capital index closed 6.20 lower at 2,105.67, after an intraday low of 2,083.66.

The leaders were mixed, with most interest in Fletcher, which finished up 1 cent at NZ$4.42.

BOMBAY dipped in response to hectic profit booking, in both specified and cash group shares, by financial institutions. The BSE 30 share index fell 63.82 or 1.4 per cent to 4,553.79. **KARACHI** was clouded by uncertainty about a general strike called by the opposition for today and the KSE 100-share index fell 12.01 to 2,204.61.

Sharp losses in S Africa

Shares in Johannesburg closed with heavier than expected losses as the firmer financial rand, consolidating gold price and nervousness over world markets discouraged buyers, *Reuter reports.*

Dealers said disillusionment over the gold price was creeping in and, although the undertone was bullish, gold and mining related share prices would continue to drift downwards on profit-taking.

The overall index lost 67 to 5,764, the industrial index shed 66 to 6,454 and the gold index was 49 down at 2,356. De Beers was off R3.25 at R105.25 while Anglos shed R5 to R238.

Elsewhere Gold Fields fell R3 to R125 and Minorco shed R1.70 to R11.55. Lonrho went against the trend to add 10 cents to R9.30.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 16 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY SEPTEMBER 15 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	175.13	0.0	163.92	109.44	140.00	156.56	0.5	3.54	174.08	165.07	109.36	139.98	155.77	189.15	139.73	139.73
Austria (17)	191.17	-0.7	178.92	119.45	152.81	152.94	-1.3	1.04	192.45	182.49	120.90	154.75	154.93	198.89	164.64	171.16
Belgium (37)	171.94	0.7	160.93	107.44	137.45	134.16	0.0	4.12	170.82	161.99	107.31	137.36	134.17	177.04	143.62	151.89
Canada (108)	139.20	1.0	130.34	87.02	111.32	136.18	0.8	2.46	137.84	130.71	86.59	110.84	135.11	145.31	120.54	124.30
Denmark (33)	257.11	0.9	240.65	160.66	205.53	212.05	0.0	1.40	255.03	241.84	160.21	205.07	211.96	276.79	223.94	231.40
Finland (24)	179.49	2.0	167.39	112.75	143.47	185.46	0.8	0.76	175.99	166.88	110.65	141.51	184.00	181.70	104.28	106.84
France (97)	171.14	-1.6	160.18	106.94	136.80	141.10	-2.3	3.12	173.98	164.98	109.29	139.90	144.43	185.37	159.34	167.51
Germany (58)	146.21	0.8	136.85	91.37	116.88	116.88	0.2	1.76	145.09	137.59	91.15	116.67	116.67	150.40	124.39	125.86
Hong Kong (56)	409.81	1.1	383.57	256.09	327.60	406.55	1.1	3.01	405.52	384.55	254.75	326.09	402.29	506.56	292.08	293.22
Ireland (14)	213.29	0.5	199.63	133.28	170.50	192.76	-0.2	3.31	211.54	200.60	132.89	170.11	193.18	216.60	161.54	168.87
Italy (59)	83.18	1.8	77.86	51.98	66.50	96.59	1.1	1.81	81.73	77.51	51.35	65.72	95.53	97.78	57.88	74.50
Japan (469)	159.43	0.1	149.22	99.62	127.45	99.62	-0.5	0.77	159.36	151.11	100.11	128.14	100.11	170.10	124.54	157.42
Malaysia (97)	589.35	1.1	551.61	368.27	471.12	579.97	1.1	1.44	582.84	552.69	366.14	468.68	573.66	621.63	392.03	397.53
Mexico (18)	2336.46	2.5	2186.82	1459.99	1867.71	3679.14	2.0	1.18	2280.56	2162.58	1432.64	1833.83	6508.96	2647.08	1615.11	1669.20
Netherland (27)	214.63	-0.2	200.89	134.12	171.57	168.91	-0.6	3.39	215.07	203.95	135.11	172.95	170.36	218.19	180.25	183.24
New Zealand (14)	73.83	1.3	69.10	46.13	59.02	64.33	1.2	3.68	72.88	69.11	45.78	58.60	64.11	77.59	59.22	60.93
Norway (23)	198.00	-0.8	185.32	123.73	158.28	181.26	-1.5	1.82	199.60	189.28	125.39	160.50	183.98	211.74	165.52	173.37
Singapore (44)	369.05	1.5	345.39	230.60	295.00	252.20	1.1	1.67	363.72	344.90	228.49	292.48	249.46	378.82	285.31	289.05
South Africa (59)	310.45	0.6	290.57	193.99	248.17	298.90	-0.1	2.14	308.71	292.74	193.93	248.24	299.25	314.24	184.39	187.78
Spain (42)	141.45	-0.7	132.39	88.39	113.07	136.86	-1.2	4.21	142.43	135.07	89.48	114.53	138.53	156.79	128.88	137.44
Sweden (35)	229.49	0.1	214.79	143.40	183.45	252.25	-0.7	1.58	229.27	217.41	144.03	184.36	254.16	231.35	175.83	186.33
Switzerland (47)	166.77	-0.3	156.09	104.21	133.31	131.93	-0.9	1.54	167.21	158.56	105.04	134.46	133.11	178.58	138.89	136.91
United Kingdom (204)	199.07	-0.2	135.39	123.78	158.35	165.39	-1.5	4.07	196.41	188.14	124.84	159.65	188.14	214.96	181.11	187.57
USA (517)	192.14	-0.8	179.83	120.06	153.59	192.14	-0.8	2.82	193.65	183.63	121.65	155.72	193.65	196.04	178.85	187.79
EUROPE (718)	172.97	-0.1	161.89	108.09	138.27	152.07	-1.0	3.05	173.12	164.16	108.75	139.21	153.58	178.58	153.98	156.64
Nordic (116)	222.19	0.5	207.96	138.83	177.61	209.49	-0.3	1.41	221.03	209.59	138.86	177.73	210.23	222.18	173.19	176.81
Pacific Basin (749)	170.09	0.2	159.19	106.26	135.97	111.14	-0.2	1.09	169.74	160.96	106.63	136.49	111.42	176.86	134.79	161.33
Euro-Pacific (1466)	171.18	0.1	160.22	106.96	136.84	127.48	-0.6	1.92	171.04	162.19	107.45	137.54	128.19	175.14	143.66	158.29
North America (621)	185.65	-0.7	170.76	116.01	150.36	188.26	-0.7	2.81	180.19	180.35	119.47	152.93	189.62	192.73	175.67	183.67
Europe Ex. UK (514)	155.59	0.0	145.63	97.23	124.38	132.11	-0.7	2.45	155.65	147.60	97.78	125.16	133.03	158.12	134.97	137.06
Pacific Ex. Japan (279)	272.36	1.0	254.92	170.13	217.64	241.77	0.9	2.69	269.56	255.62	169.34	216.76	239.54	296.21	200.13	200.13
World Ex. US (1647)	173.14	0.1	162.05	108.19	138.40	131.45	-0.5	1.93	172.89	163.94	108.61	139.02	132.08	176.65	145.58	159.33
World Ex. UK (1960)	176.49	-0.2	165.18	110.28	141.08	146.57	-0.5	2.05	176.82	167.67	111.08	142.18	147.30	178.58	155.96	165.90
World Ex. So. Af. (2105)	177.56	-0.2	166.19	110.96	141.94	149.03	-0.6	2.25	177.91	168.70	111.76	143.06	149.92	180.03	158.54	167.61
World Ex. Japan (1695)	190.45	-0.3	178.25	119.01	152.24	180.02	-0.6	2.65	190.98	181.10	119.97	153.57	181.17	195.20	174.04	175.37
The World Index (2164)	178.40	-0.2	166.98	111.48	142.61	150.13	-0.6	2.25	178.73	169.48	112.28	143.72	151.02	180.80	158.85	167.82

Latest prices were unavailable for this edition. PLEASE NOTE: Constituent change 19/9/94: Name Change Allied-Lyons to Allied Domecq (UK).